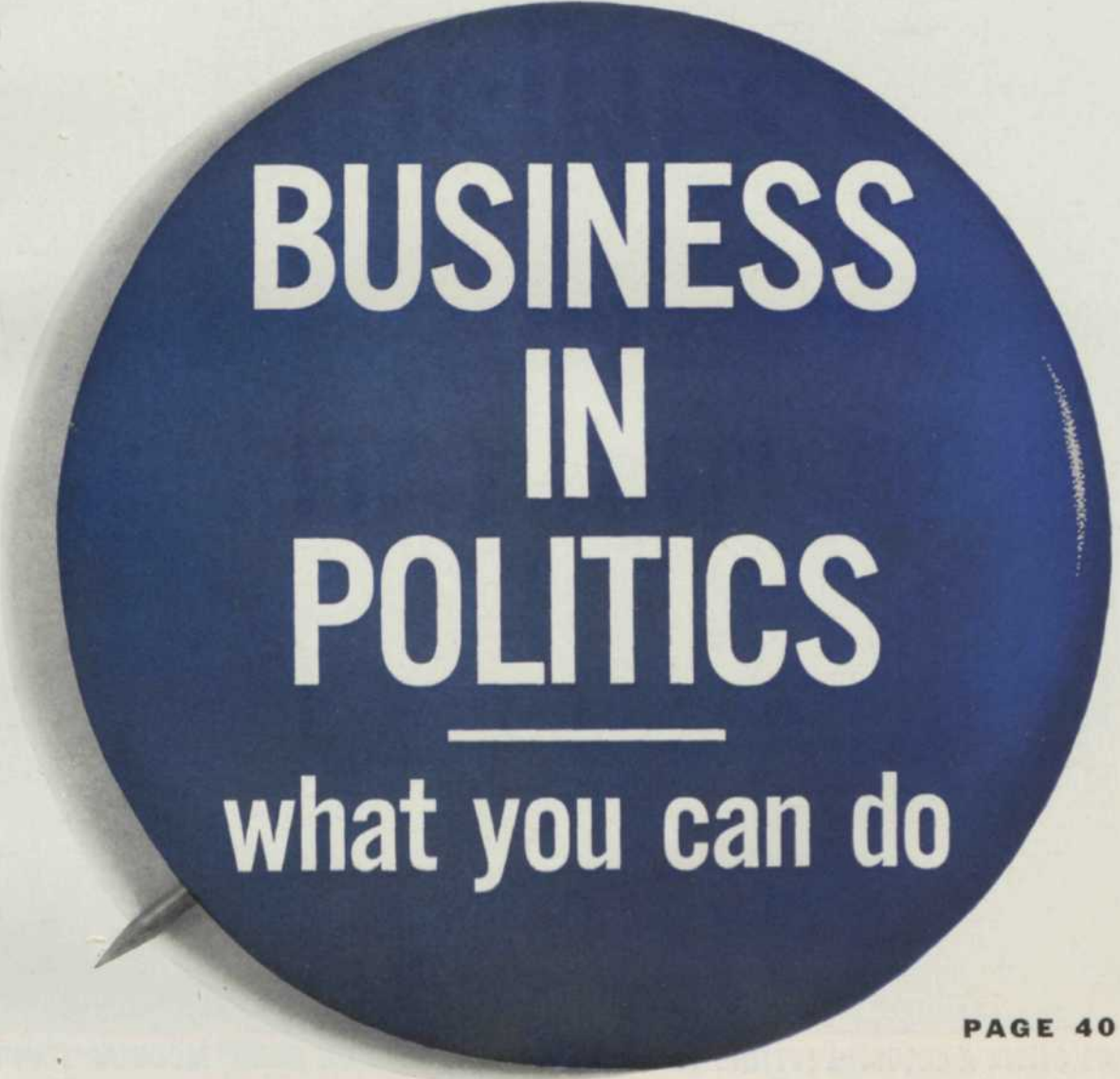


# Nation's Business

A USEFUL LOOK AHEAD

JUNE 1960



## BUSINESS IN POLITICS

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### what you can do

PAGE 40

**How to read the outlook signs** PAGE 33

You can be a better leader PAGE 80

New inflation pressures ahead PAGE 36

Federal spenders look to '61 PAGE 38

# HOW TO MAKE A JUNIOR EXECUTIVE HAPPY



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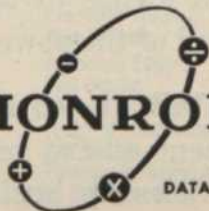
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# Nation's Business

June 1960 Vol. 48 No. 6

Published by the Chamber of Commerce of the United States  
Washington, D.C.

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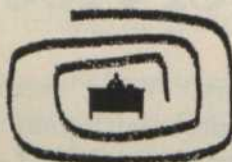
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If older people are to get more medical care, housing, and jobs we must produce more or risk greater federal control

Nation's Business is published monthly at 1615 H St. N.W., Washington 6, D. C. Subscription price \$18 for three years. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices. Copyright, 1960, by Nation's Business—the Chamber of Commerce of the United States. Nation's Business is available by subscription only.

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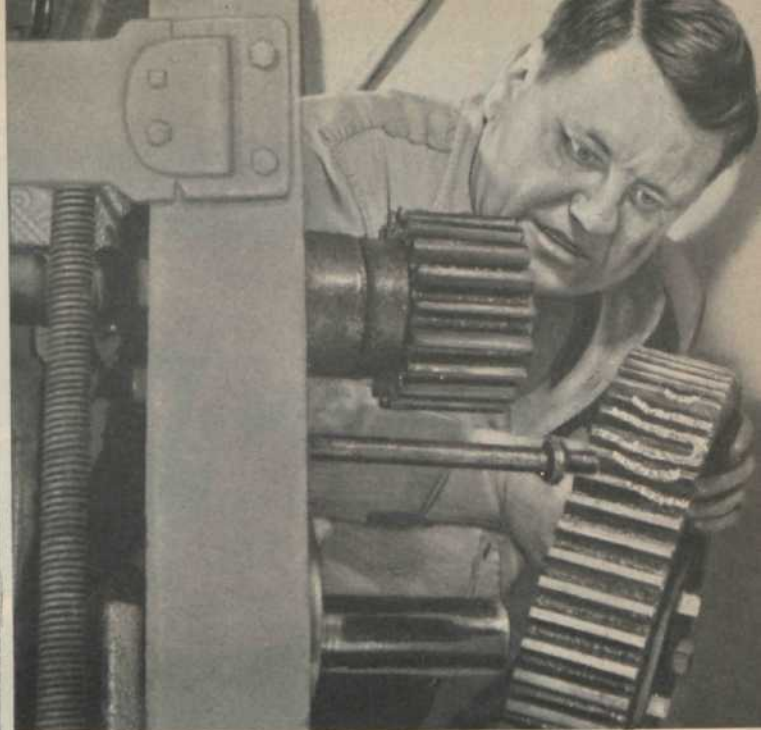


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regional or a selected area. A wide range of ad sizes *in any combination* to meet your competitive needs in individual markets.

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**Deferred Compensation can help prevent such losses! Business Insurance from New York Life makes several rewarding plans possible for your company.**

The "big bite" taken by taxes from his salary often attracts an executive to the company that offers special incentives. An increasing number of organizations realize this problem and have initiated deferred compensation plans to help them hold their valuable employees.


Such plans usually provide for continuation of the executive's salary for a number of years after he is no longer active in the business. In this way, he can enjoy greater benefits after retirement without increasing his current tax liability.

Many companies have found that Business Insurance from New York Life is the most desirable way of funding these plans. The annual premium payments create a cash

reserve which prevents the removal of substantial working capital when an executive retires. Should the executive die before retirement, your company receives tax-free proceeds with which it may pay benefits to the executive's heirs.

This is just one of the many valuable roles Business Insurance from New York Life can play in your company. See your New York Life Agent for the most advanced protection for your family, company or employees. Or write: New York Life Insurance Company, Dept. NB-5, 51 Madison Avenue, New York 10, N. Y. (In Canada: 443 University Avenue, Toronto 2, Ont.)

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# management's WASHINGTON LETTER

►FOR YOUR BASIC BUSINESS PLANNING--here's a special analysis of economic trends which are currently affecting the outlook.

## ►I. BUSINESS COSTS ARE RISING.

No let-up in sight.

Look at wages.

Three out of every five production workers in manufacturing are employed in industries paying an average of \$90 a week or more.

Two out of five are getting paid an average of \$100 a week or more.

The country's total compensation of employees will probably exceed \$300 billion this year.

Total is currently rising at rate of approximately \$500 million a week.

Now note this:

Industries with approximately five million workers have wage negotiations with unions coming up this year.

## ►II. SALES RISE IS DISAPPOINTING.

Total sales are higher than a year ago--but percentage rise is below the long-term average.

A look at retail sales shows what is happening.

Monthly sales rate now is slightly higher than a year ago.

But the rate is lower than five of the previous 12 months.

Contrast current situation with what happened between '58 and '59.

The 1959 monthly average was about \$1.3 billion higher than '58 average.

This slow-up in sales rate has caused new business caution in adding to inventories.

Hence: Production indexes--though still high--have slipped off.

Will sales pick up in months ahead?

Washington economists think they will.

Surveys show that consumers are optimistic, have high incomes and expectations of higher pay in the future, have no plans to curtail purchases.

But don't expect consumers to go on any buying spree.

## ►III. COMPETITION IS INCREASING.

Foreign producers with big wage-cost advantage are rapidly narrowing trade opportunities for American producers.

Look at Japan's cost advantage.

Producers there can buy a day's work for the price of an hour's work in this country.

Japanese exports to U.S. tell what is happening.

During the past three months we have imported nearly \$300 million worth of merchandise from Japan.

That far exceeds total '54 volume.

(Watch for Japanese TV sets to reach U.S. by fall--at competitive prices.)

But foreign competition is not all from Japan.

Producers in Western Europe are buying three hours of work for the price of one hour here.

One result:

Western Europe's sales to U.S. have doubled in five years, still trending upward at impressive rate.

Over-all figures show how U.S. is losing world markets.

We're currently importing close to \$1.3 billion worth of goods a month.

That's \$200 million a month higher than the '57 rate.

Our monthly sales abroad:

Currently about \$1.5 billion.

That's recent improvement--but still \$125 million a month below '57 rate.

What does the future hold?

Stiffer competition.

## ►IV. TAX COLLECTIONS ARE SOARING.

Look at this comparison:

For every \$1 collected by governments--federal, state, local--during past year, \$1.09 will be collected this year, \$1.18 will be collected next year.

Total government receipts tell the story:

Collections in '59: \$123 billion.

Collections in '60: \$134.5 billion.

Collections in '61: \$145.5 billion.

First figure is actual amount.

Other two are estimates shown by new analysis of government receipts and expenditures expected for current year and year ahead.

Impact on business? Remember that consumers can buy your products only with dollars they have.

Remember, too, that government shares half of any profits you make.

## ►V. INFLATION THREAT CONTINUES.

Recent developments cloud what is



really happening to price indexes.

These developments include fact that prices have changed little during past two years.

Economists call this healthy, point out that our total business volume has expanded roughly \$67 billion with little price rise.

Other expansions of this kind have been accompanied by big price increases.

But does this mean inflation threat has vanished?

Not at all.

Consumer price index is an average of several indexes, each weighted to make up a typical consumer market basket.

Only one index (for food) is lower than it was two years ago.

This one partially offsets other price increases.

While inflation threat appears to be temporarily in check, the underlying forces of price change keep surging.

Long-term inflation robs consumers of buying power.

Economic study by National Industrial Conference Board shows how.

Man earning \$3,000 in 1939 now must have \$7,155 income just to stay even in purchasing power.

Higher taxes take \$885 of his income.

Inflation robs him of \$3,300 worth of buying power.

Man with \$5,000 income in 1939 today must earn \$12,000 to stay even.

Economic Research Department, U.S. Chamber of Commerce, has new booklet you may find helpful.

It's called: "Inflation, Unions and Wage Policy." Single copies \$1, quantity discounts.

Booklet measures impact of union officials on inflation through:

1. Collective bargaining demands.
2. Their capacity to promote government spending, deficit financing, loose fiscal, monetary policies.

#### ▶ VI. PROFIT RISE IS TAPERING.

Total profits reached record level during past year.

Now business appears to be entering a new phase--affected by rising costs, more aggressive competition, high tax rates, etc.

One economist calls this new phase profit compression--which means, he

says, that profits may rise, but not much.

He forecasts a rise in the magnitude of maybe \$1 billion above past year's record level.

But record dollars don't tell you what's really happening.

Look at these comparisons:

Gross business volume 10 years ago was \$284.6 billion.

Profits after taxes amounted to 7.9 per cent of that figure.

Gross business this year is expected to reach \$510 billion.

But profits after taxes will be about 4.4 per cent of gross business.

#### ▶ DO THESE FORCES ADD UP to a gloomy business outlook?

For some companies, yes.

Current period of business expansion is entering its third summer.

Don't expect the third year to be as buoyant as the first two.

Ahead is a crucial period for many firms.

But many companies will continue to prosper.

These will be firms whose management will be able to find ways to overcome today's leading business problems.

#### ▶ LOOK AT AMERICA'S long-range future.

During the next 10 years, the U.S. will produce--and consume--a total of about \$6 trillion worth of goods and services.

To hold your own during the expanding decade ahead, your company will have to grow to about one and a half times its present size.

That's the expected growth of total business volume by 1970.

#### ▶ SOVIET TRADE OFFENSIVE is being stepped up.

Emphasis shifts to Latin America.

Here's what is happening, how actions tie in with U.S. business operations:

Red trade and aid competition got under way in '54, after Stalin died.

In that year, credits and grants of \$11 million were made.

Total now exceeds \$3.5 billion.

Red economic offensive now involves 19 noncommunist countries.

U.S. credits and grants to the same



# management's WASHINGTON LETTER

countries total \$4.3 billion economic aid, \$1.5 billion military aid.

(Total U.S. aid to all countries for past five years: \$24 billion.)

Now Reds turn their economic guns to Latin America.

Why?

Because Latin American nations have good chance of achieving economic growth for which Reds want to grab credit, if possible.

In addition, they hope to disrupt key areas of business relations with this country.

► **SURVEY OF U.S. BUSINESSMEN** working abroad shows how communist activities in Latin America are viewed.

U.S. citizen in Argentina says--

"Skoda works of Czechoslovakia is dumping industrial machinery at prices 20 per cent lower than any competitor and giving attractive terms.

"Other communist bloc trade missions are offering all types of machinery at cutthroat prices, lower terms.

"...This type of activity is expected to increase considerably in the future."

Comment is from a new report on "How American Businessmen Abroad View the Communist Economic Offensive."

Report is based on survey covering 77 countries.

Single copies free from International Relations Department, U.S. Chamber of Commerce, Washington 6, D.C.

For more details on Latin American phase of Red offensive, see page 69.

► **OLD FOLKS WILL HELP CUSHION** future business dips.

An estimated 1.5 million Americans today are receiving a total of about \$125 million a month from private retirement plans.

Number of beneficiaries is going up approximately 160,000 a year.

Figure will rise substantially in years ahead.

About 20 million Americans currently are covered--up from 15.4 million in 1955, up from 9.8 million in '50.

► **GROWING NUMBER** of beneficiaries plus pension improvements is boosting total payments by 12 to 15 per cent a year.

In addition:

Most of the people who receive private retirement plan payments also get federal old-age benefits.

This adds an average \$72 a month to each pensioner's buying power.

► **PAYMENTS WILL KEEP COMING** despite business conditions that could affect pay of many wage earners.

Total money in reserve funds:

Approaching \$50 billion.

Expected to reach that amount by end of '60, early '61.

Total is up from \$26.5 billion in '55, up from \$11.7 billion in '50.

Companies currently are building up funds at rate of more than \$4 billion a year.

Employee contributions:

More than \$710 million a year.

► **DON'T OVERLOOK BUSINESS IMPACT** of government-sponsored programs for retirement and disability.

These include monthly benefits which currently amount to:

--\$670 million from social security.

--\$56 million from U.S. Civil Service Commission.

--\$210 million paid through Veterans Administration.

--\$57 million paid out monthly through Railroad Retirement Act.

Another \$270 million a month is paid to survivors of pensioners under these programs.

All together, payments go to more than 14 million beneficiaries and nearly four million survivors.

► **STATE AND LOCAL** government retirement systems are adding nearly \$3 billion a year to cash and security holdings that already exceed \$16.3 billion.

Benefits are being paid out at monthly rate of almost \$80 million.

► **MILITARY RETIREMENT PAY** currently is averaging about \$58 million a month.

Pay is going to 254,000 persons.

By end of next year, 289,000 will be drawing retirement checks.

For the year they'll get a total of \$794 million.

That'll be \$94 million higher than this year, \$153 million higher than '59 cash flow for military retirement.





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## Business opinion:

# Harmful government activities opposed

I HAVE BEEN a regular reader of NATION'S BUSINESS for some time, and I appreciate very much the stand you take against all schemes to use the government as a non-self-supporting third party in the redistribution of our country's productive income.

I am frankly amazed at the strength our nation maintains in spite of those short-sighted and greedy men who strive for political or financial gain despite the obvious detrimental effects on the character of our people and our nation—guaranteed medical care for the irresponsible, overextended and overpriced unemployment insurance for the lazy, income taxes so confiscatory they cause the vigorous to doubt the sanity of using all their energies, and the daring to doubt the feasibility of taking any risks.

We have taken the liberty of printing one of your recent editorials ["Which Way Are We Going?" March], on the back of our stationery, in the hope that more people will both adopt your views and read your magazine.

E. L. BIVANS  
 Bivans Corporation  
 Los Angeles, Calif.

Your editorial in March, "Which Way Are We Going?" is timely and refreshing, to say the least. In this era of turmoil, war and confusion it should be required reading.

Your understanding of the situation is certainly worthy of earnest consideration.

ALVIN C. BOHM  
 Attorney  
 Edwardsville, Ill.

## Communication in business

From time to time you've published some extremely useful and illuminating articles on communication in business—many of which I've referred to in my new book on administrative communication.

LEE O. THAYER  
 Assistant Professor of  
 Management and Psychology  
 University of Wichita  
 Wichita, Kans.

## Make the boss listen

We'd appreciate permission to digest in the forthcoming issue of *The Management Review* the ar-

ticle entitled "You Can Make the Boss Listen," [April].

G. T. COMPTON  
 American Management Association, Inc.  
 New York, N. Y.

▶ *Permission granted.*

## Psychology invaluable

I find your articles dealing with general psychology as it applies to business invaluable and I believe your method of analysis and reasoning in your presentations makes your magazine highly readable and easily understood.

E. M. DOLAN  
 Poland & Roy  
 Boston, Mass.

## Compulsory unionism

The bill introduced by Senators Kennedy, Kuchel, Engle and others, and by Representative Thompson to amend the National Labor Relations Act to exempt construction site picketing from all restrictions is compulsory unionism for the construction industry.

How much closer to socialism are our legislators going to take us?

We are contacting our legislators and hope the opposition will be strong enough to prevent passage.

MRS. WALTER HARDGROVE  
 Walter Hardgrove Consulting Engineers  
 Oakdale, Calif.

## Idea article plants idea

We are considering using material such as "How to Develop Ideas," [January] to stimulate our suggestion program.

W. S. LIENHARDT  
 Manager, Services-Technical  
 Metal & Thermit Corp.  
 Rahway, N. J.

## Ambition wins reader

The article, "Keep Ambition in Balance" [February] was well written and informative and after reading it and the entire issue I realized I should be a subscriber to your magazine.

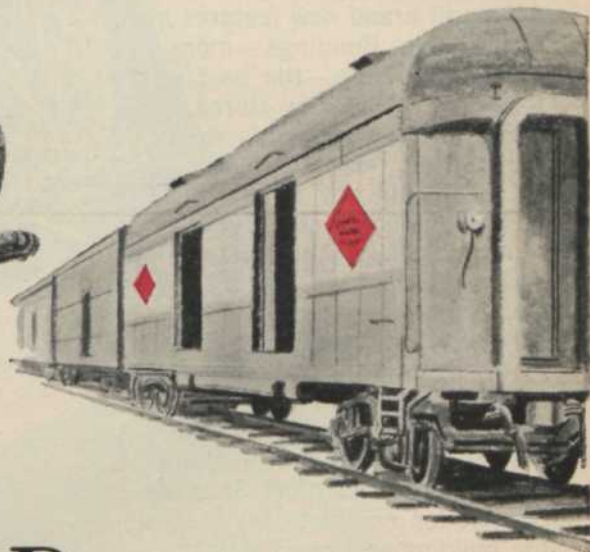
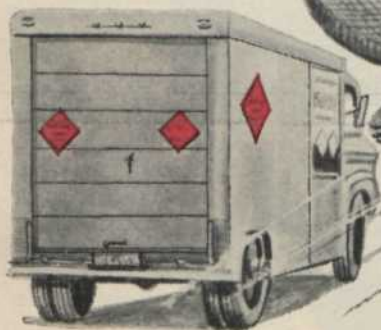
HERBERT FREEDLAND  
 Sales Supervisor  
 First Investors Corp.  
 New York, N. Y.

## Competitors

Having read the article, "Put Competitors to Work for You" [March], I would appreciate it if you would send two copies for top management in our company. I defi-



A black and white photograph of a rectangular box, likely a book or album cover. The box is shown from a three-quarter perspective, highlighting the top and right side. On the top surface, there is a rectangular label with text and a small graphic. On the right side, there is a circular logo or stamp. The box appears to be made of a textured material, possibly cardboard or cloth. The lighting is soft, creating subtle shadows.



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nately feel that the idea behind this article has tremendous value for our internal company strength.

GEORGE R. MCALISTER  
Regional Sales Manager  
The Frank Parizek Manufacturing Co.  
New York, N. Y.

### Order from England

Please forward 20 copies of the reprint, "How to Pick Capable Men" [February]. We have received a single copy of this article from our head office in Kalamazoo and we believe it would be useful to us here.

A. A. SMITH  
Managing Director  
Upjohn of England Ltd.  
Crawley-Sussex, England

### Selling for higher profits

Our association is preparing a comprehensive sales training program for use by members of the paint, varnish and lacquer industry.

In the preparation of this program, we wish to use an article entitled "How to Sell for Higher Profits," from your May 1958 issue.

LEWIS H. GRIFFITH  
Director, Trade Sales Division  
National Paint, Varnish & Lacquer Association, Inc.  
Washington, D. C.

### Nation's Business in class

Please forward one copy of "You Can Get Your Ideas Across," from your December 1957 issue. I have used the article in an adult class in public speaking and found it to be most helpful.

G. ROBERT SIMMONS  
The Second National Bank of  
Richmond  
Richmond, Ind.

### The road to progress

I do not like the many socialistic trends in our government and the constant giveaway program of federal funds with strings attached. Businesses should think twice, but apparently many businessmen confound the issues constantly. Many other people who lean on the government are responsible in great part for the constantly increasing federal budget and great expense.

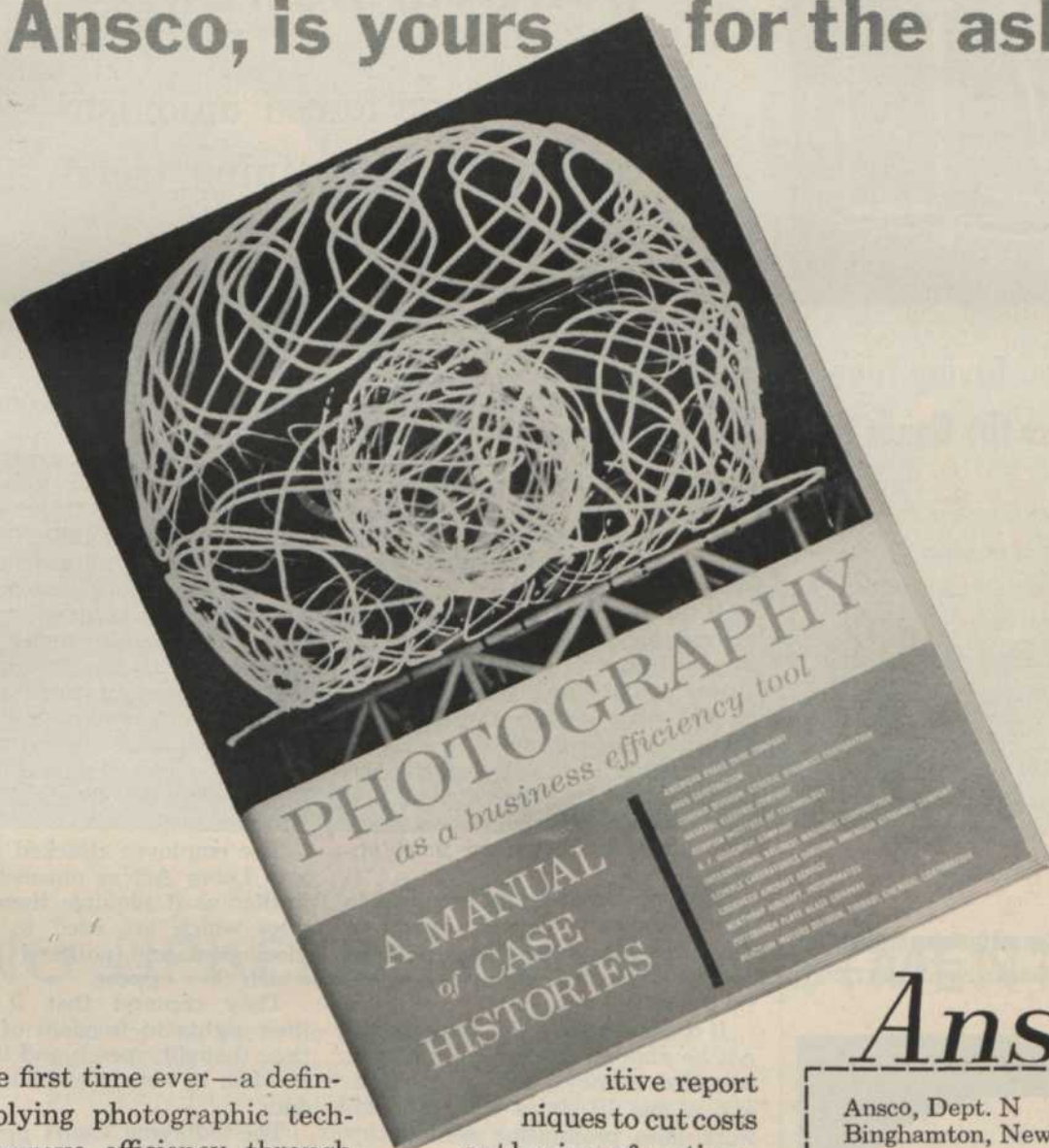
Certainly we believe in increasing private industries and private building. What I object to is the spread of socialistic financing and the type that is used in urban renewal programs with the spending of public funds. Urban renewal plans financed by private funds are better.

This country was built on private finance, primarily, and has expanded with private finance and by private effort; and the future would still be good if private finance and private endeavor are utilized with the least government control consistent with good government.

JARED W. HAWKINS, JR.  
Modesto, Calif.



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THIS ISSUE**

## Workers attack unions' political power

### Decisions on forced unionism could shift bargaining trend

THE ECONOMIC and political power of unions will be curbed considerably if two controversial labor issues are decided against the unions. One issue is before the United States Supreme Court. The court will answer the question:

May unions force workers to join and then use part of their dues money to seek economic and political objectives which some workers may oppose?

If the answer is "No," unions will have either to make union membership voluntary or curtail their political activity and keep their economic goals within the scope of collective bargaining.

The other issue is before the National Labor Relations Board, and may go to the Supreme Court later. The question the Board must answer is:

May workers who do not want to join a union be forced instead to pay the union for services it claims to give them as employees covered by the labor contract?

If the answer is "No," unions will not be able to exact a fee, under a so-called agency shop contract, in any of the 19 states with right-to-work laws prohibiting compulsory union membership.

Such fees are being collected by the United Steelworkers under the new labor contract in the basic steel industry which terminated the recent 116-day strike. The United Automobile Workers has demanded that General Motors Corporation agree to the imposition of a similar fee on employees who refuse to become UAW members.

#### 1. Dues for politics

The question of using forced union dues for political and other pur-

poses not related to collective bargaining was raised, in what is called the *Looper* case, by a dozen employees of nine companies in Georgia which are part of the Southern Railway System.

They objected to having to join a union to keep their jobs under a contract which the railroad signed with 15 unions in 1953. The Southern and other railroads originally resisted the unions' demands for an all-union shop contract, which became permissible under a 1951 amendment to the Railway Labor Act. But most of them submitted eventually to prevent a strike and to conform with the recommendations of a presidential Emergency Board appointed by then-President Truman.

The employees attacked the Railway Labor Act as unconstitutional insofar as it requires them to pay dues which are used to promote ideological and political doctrines which they oppose.

They contend that it violates their rights to freedom of association, thought, speech and the press; freedom to work, and political freedom.

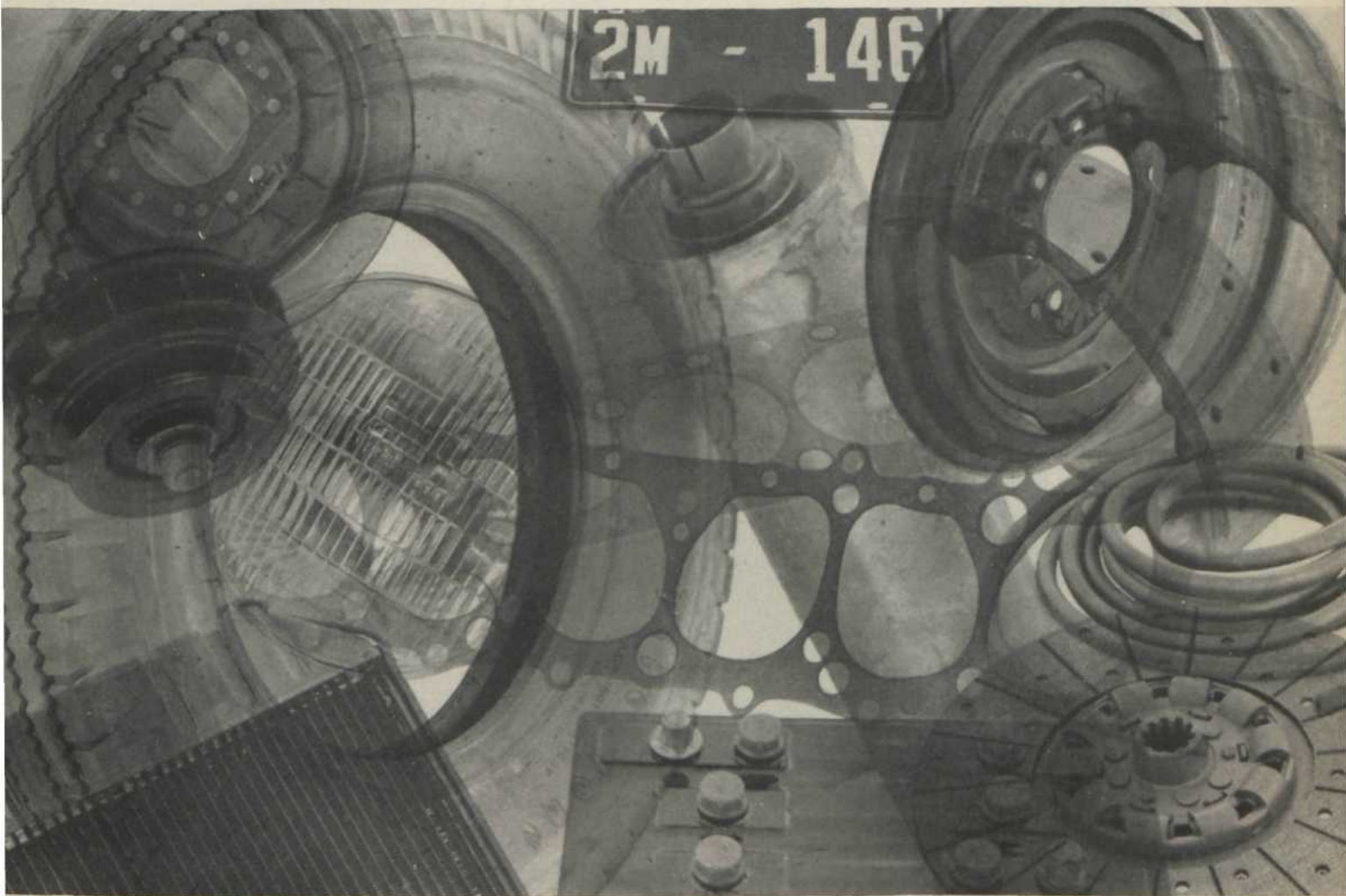
The Supreme Court upheld the validity of forced union membership under the Railway Labor Act, even in states with right-to-work laws, in the so-called *Hanson* case, which originated in Nebraska.

But it added a reservation as to the validity of an all-union shop agreement "if other conditions of union membership be imposed or if the exaction of dues, initiation fees or assessments is used as a cover for enforcing ideological conformity or other action in contravention of the First or the Fifth Amendments."

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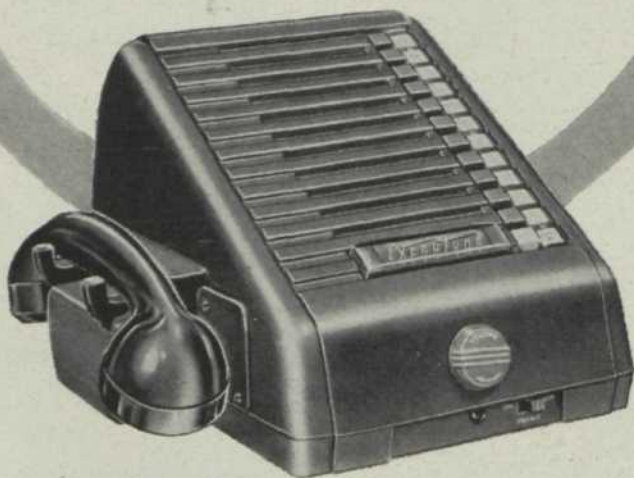
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**WORKERS ATTACK**

*continued*

tion and a stipulation of facts in which the unions detailed how political use is made of the dues, the Georgia Supreme Court upheld the claims of the Georgia railroad employees.

The unions asked the U. S. Supreme Court to reverse the Georgia decision. They contend that the highest court considered and resolved the question of using forced union dues for political purposes when it decided the Hanson case in the unions' favor.

The unions admit, in the stipulation of facts, that among other political activities they are joined in Railway Labor's Political League to participate in elections and lobbying.

The League has two funds, an "educational" fund and a "free" fund.

The educational fund is made up of money contributed by participating unions from their general dues. Under the Federal Corrupt Practices Act, none of this money may be spent in connection with a federal primary or election. Fourteen unions put \$178,834 into this fund in 1957.

The unions admit that the educational fund is used to:

Support candidates for local and state offices (except in Wisconsin, New Hampshire, Pennsylvania, Indiana, Texas and Iowa, where state laws forbid it).

Publicize favored candidates for federal as well as local and state offices.

Cover administrative costs of operating the League, including salaries of employees of the political action group.

Pay for miscellaneous political activities, such as transporting voters to and from the polls on election days, preparing and distributing voting records of officeholders, sample ballots and other political literature.

Administer and maintain the free fund.

The free fund is made up of voluntary contributions from individual union members and is used for direct financial assistance to favored candidates for President of the United States and member of Congress.

**2. Union service fee**

Since the enactment of state laws which protect a worker from being  
(continued on page 21)





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## WORKERS ATTACK

continued

forced to join a union to keep his job, unions have tried to get the next best thing. That is, the collection of the equivalent of initiation fee and dues from those who do not join. The United Steelworkers call it a service fee.

Under such an arrangement—called an agency shop as distinct from an all-union shop or open shop—the union gets the same financial income it would get if the worker joined the union; the worker gets all the benefits of the union contract, but has no voice in the union's affairs and does not get any strike or other benefits the union may provide.

State right-to-work laws differ with respect to whether they permit the imposition of a service fee as an alternative to union membership. Laws in 10 of 19 states specifically forbid such agency shop arrangements in labor contracts, according to a report of the Bureau of National Affairs, Inc., a labor relations service.

In the others, the question has been decided by the courts or ruled on by the Attorney General, is pending, or has not been tested.

In only one state, Indiana, is the agency shop clearly legal and enforceable. This was decided by the Indiana courts a year ago in a test involving the Meade Electric Company and the International Brotherhood of Electrical Workers.

As a result, the UAW last fall demanded that General Motors supplement the three-year national contract to provide for an agency shop with respect to its employees in nine Indiana plants. The national agreement requires all employees to join the union in states where this is permissible.

The corporation refused on the grounds that to grant the demand would violate the Taft-Hartley law. The union charged the management with refusing to bargain in good faith. The issue is now before the NLRB on an agreed statement of the facts in what is the first real test of whether forcing a worker to pay dues in lieu of joining a union violates the federal labor law.

A number of Indiana employees have also entered the case as intervenors to protect their rights.

The UAW, in support of its demand, cites two earlier decisions of the Board. One was made under the Wagner Act, which preceded Taft-  
(continued on page 67)

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# Some Republicans still hope for dream ticket

BY EDWARD T. FOLLIARD

AS THE TIME draws near for the national conventions, a good many Republicans are puzzled by the behavior of Gov. Nelson A. Rockefeller of New York. Some of them are not only puzzled; they are a little vexed.

Why, they ask, has Governor Rockefeller refused to endorse Vice President Richard M. Nixon for the presidential nomination?

And why, they further ask, does he keep insisting that he will not accept the vice presidential nomination?

Governor Rockefeller's associates say that there are answers to both questions. They realize that the Nixon enthusiasts may not think the answers are satisfactory, but they say this can't be helped.

Here, then, is their explanation:

Governor Rockefeller has been holding back from an endorsement of Mr. Nixon because he wants to be a free agent until the Chicago convention has met to nominate a ticket and adopt a platform. That is, he wants to be free, as he puts it, to try and invigorate the spirit of the Republican Party and to point out that "neither of our great parties can hope to meet the issues and opportunities of the future merely with the devices and programs of the past."

He feels that he will be better able to do this if, for the time being, he remains uncommitted to Mr. Nixon.

Governor Rockefeller (his associates go on to explain) says he won't accept the nomination for Vice President because he means just that; he honestly does not want the vice presidential nomination. He thinks of himself as an executive or administrator, and believes that he would be terribly frustrated in the No. 2 post.

Not surprisingly, some in the Nixon camp suspect that there is much more to the matter than this. They have a hunch that Governor Rockefeller has never really abandoned hope that the Republican delegates might dump Mr. Nixon and turn to him with the presidential nomination.

Whether this is true or not is something that could

best be answered by Governor Rockefeller. It is certainly true that some of his political lieutenants have entertained such a hope.

Being realists, however, they have never thought that the chances of its being realized were any better than one in a hundred.

They were saying back in mid-April, when the *Denver Post* sent up a "draft Rockefeller" cry, that only a panic among the Republican delegates could



*G.O.P. professionals believe Vice President and New York governor would be winning team*

lead them to give the New Yorker the No. 1 nomination. And they thought that a panic would set in only if the primary elections and the public-opinion polls gave convincing evidence that Mr. Nixon could not win on Nov. 8.

Of course, Governor Rockefeller would like to have the presidential nomination. He thinks he is just as well qualified to occupy the White House as Mr. Nixon, maybe better qualified. He has never said that he didn't want the nomination. All he said in his statement of Dec. 27 was that he was dropping out as an active candidate, having seen that "the great majority of those who will control the Republican



convention stand opposed to any contest for the nomination."

In that same statement, Governor Rockefeller said: "Quite obviously I shall not at any time entertain any thought of accepting nomination to the vice presidency, even if the honor were offered. . . . I hope my friends will respect this absolutely definite resolve."

Evidently, many Republicans either did not read this or did not believe it if they did read it. There was a vocal and widespread demand for Governor Rockefeller as the vice presidential nominee. Some of

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*Several Republicans have been mentioned as vice presidential possibilities and Mr. Halleck is an avowed candidate for the spot*

the G.O.P. professionals in Washington began calling it the "dream ticket."

The Rockefeller people agree that their man would add strength to the ticket. They think he would attract Democratic and independent votes as he did when he ran for governor against Averell Harriman in 1958, and that he also would help mightily to capture the big electoral vote of New York State.

But Governor Rockefeller's intimates tell you that there is nothing devious about him, that he is the kind of fellow who says what he means. They tell you further that he is determined to resist any pressure on him to take the No. 2 spot on the ticket, even if the pressure comes from President Eisenhower.

They say that he was furious back in March when former Gov. Thomas E. Dewey of New York, appearing on a television program, said that a Nixon-Rockefeller ticket would be "tremendous." Not long

thereafter, Governor Rockefeller said at a press conference that he would not take the vice presidential nomination under any circumstances.

Mr. Nixon knows all about this. He also knows that most Republican leaders want the wealthy, attractive New Yorker on the ticket, and are hoping that he can be persuaded to go on it.

The Californian, who now takes it for granted that he himself will be nominated for President by acclamation on the first ballot, is expected to make one final effort to persuade Governor Rockefeller to be his running mate. But he has no intention of twisting the governor's arm.

He has let it be known that he doesn't want others to get rough with the New Yorker, to try and drag him by saying that he will destroy his future in the Republican Party by refusing to go along. He feels that this would downgrade the office of Vice President, an office of which he is very proud.

There is, of course, plenty of vice-presidential material in the G.O.P. Rep. Charles A. Halleck of Indiana, Republican leader of the House, is an avowed candidate for the No. 2 spot. Also being boomed for it are Attorney General William P. Rogers, Secretary of Labor James P. Mitchell, Secretary of the Interior Fred Seaton, Sen. Barry Goldwater of Arizona, Sen. Thruston Morton of Kentucky, Gen. Alfred M. Gruenther (USA, ret.), president of the American Red Cross, and several others.



Mr. Nixon has been planning his campaign with the thought in mind that his Democratic opponent will be Sen. John F. Kennedy of Massachusetts. This was so even before the Yankee lawmaker won a stunning victory over Sen. Hubert H. Humphrey of Minnesota in the May 10 West Virginia primary election.

The West Virginia battle was, of course, a fateful test for Senator Kennedy, the first Roman Catholic to try for the presidential nomination since 1928.

Although Senator Kennedy had won against Senator Humphrey in the Wisconsin primary in April, polling 56 per cent of the Democratic vote, many argued that it was less than a triumph. They attributed his victory to two things, the fact that thousands of Republicans crossed over to vote in the Democratic primary (as they are allowed to do in Wisconsin) and the fact that close to 30 per cent of the population of the Badger State is Catholic.

In West Virginia, the Kennedy-Humphrey battle was limited to the Democratic Party. The big majority given to Senator Kennedy came largely from Protestants; it had to because the Catholic population in the state is less than five per cent of the whole.

The Vice President also believes that, if Senator Kennedy misses out on the presidential nomination when the Democrats meet at Los Angeles next month, the New Englander will still be the key figure there, able to name the nominee if he himself will agree to take the vice presidential nomination.

In any event, Mr. Nixon expects that the battle for the Presidency will be hard and close. Consequently, he has let it be known that he plans to campaign in all 50 states, using airplane, train and automobile.



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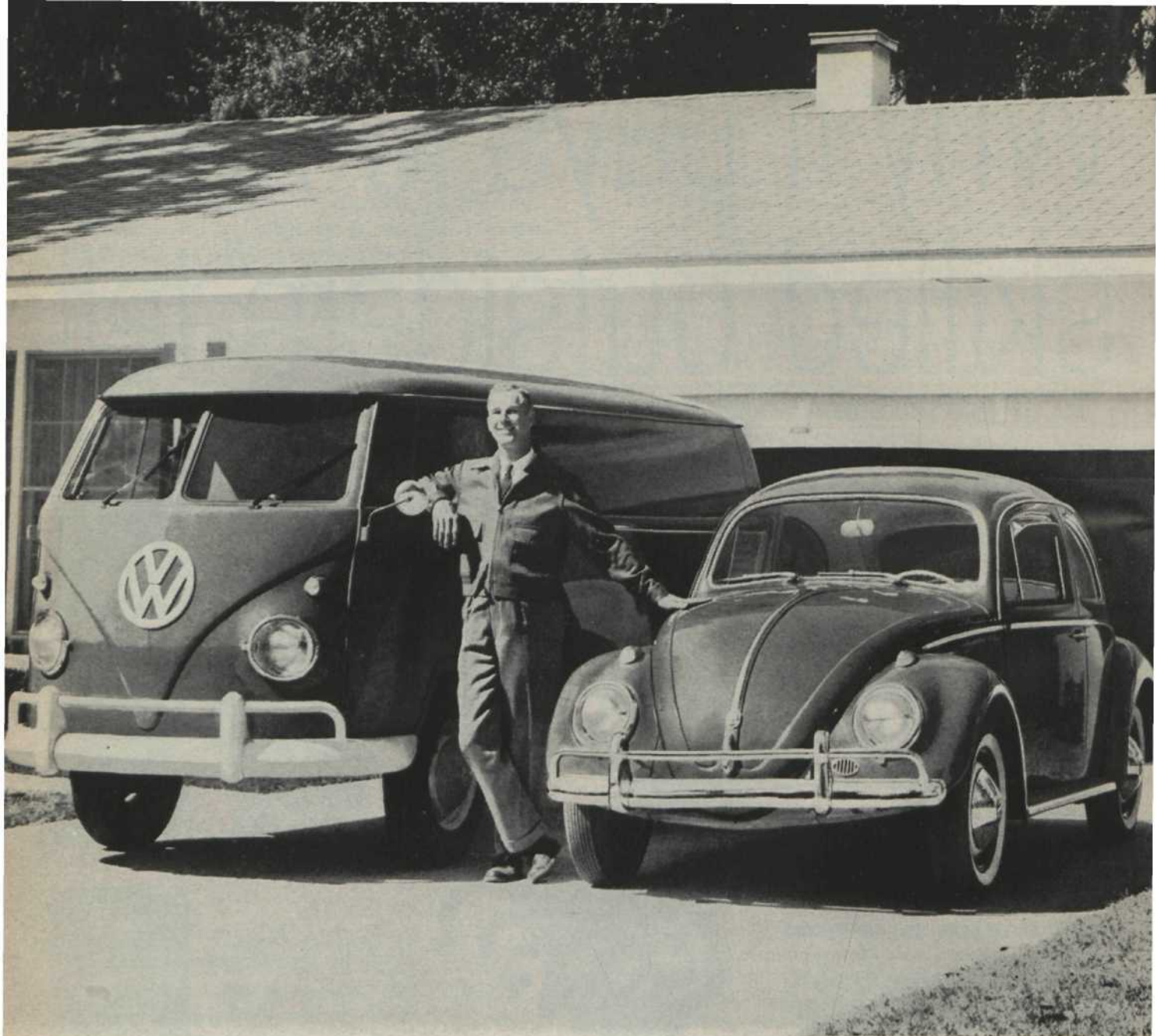
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## Youth must learn duties as well as rights

BY FELIX MORLEY

ANOTHER SCHOOL YEAR draws to its close. Another crop of college graduates is going through the formalities of what is properly called the "commencement" of fully responsible life. And parents, right down to those with children in kindergarten, are making their personal and generally objective assessments of how young hopefuls have been responding to educational exposure.

On the whole, it seems to have been a good year. There has been a pronounced turn away from frills and toward really serious work. There has been less emphasis on what the educationists refer to as group dynamics. There has been more attention to those solid fundamentals on which the thinking of every youngster must be grounded if he or she is to stand erect during the wholly unpredictable but certainly exacting years ahead.

In other words the good teachers, of whom our public schools and colleges fortunately have many, are gradually regaining ground lost in recent years to shallow educational theorists who know little about the content of any line of study, but are nevertheless full of sparkling ideas as to how they should all be taught.



Yet the belief that discipline of any kind is injurious, and competition undesirable, dies hard in pedagogical circles. We have before us a recent release from the University of Michigan News Service. Possibly the lively opening sentence is designed to be provocative, which it certainly is:

"The teacher should never try to order or control the creative genius of a pupil, warns Fred G. Walcott, University of Michigan professor of education."

Then the professor puts it in his own words: "Never tell a student what to write, or to paint, or to fashion. Insist that he look within, that he learn to rely—stubbornly, if need be—on his own reflective interpretations, on his own peculiar wisdom."

A warning is in order in regard to this thesis, but it is to the professor rather than from him. For there

are few ways in which immediate delinquency and eventual maladjustment can be more successfully encouraged than by continuous yielding to the "peculiar wisdom" of the immature. Wisdom is not a faculty with which the human being is naturally endowed. It is at best acquired slowly, and largely by the trial and error method of experience. The whole point of



*Wisdom is not a faculty with which human beings are naturally endowed*

education is to prepare the soil and plant the seeds of wisdom. And one may reasonably ask what need there is for professors of education if they think that those who are being educated already know all the answers.

Fortunately, youngsters themselves react instinctively against the know-it-all. No adolescent is more unpopular with his fellows than the one who, in the old phrase, is stuck-up. If he or she can prove superiority, with modesty, in sports, or school theatricals, or even studies, ungrudging admiration will be accorded. But to assert a stubborn egotism on the basis



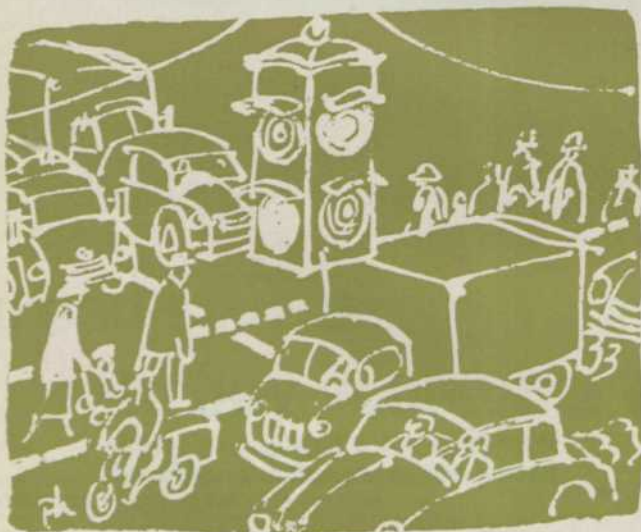
## TRENDS: STATE OF THE NATION

of "his own reflective interpretations" is automatically to classify, in more modern parlance, as a drip.

There is, of course, truth in Professor Wolcott's further statement that, for the artist, "conformity is death," so long as one remembers that the opposite may be equally true. If the artist refuses to conform when the traffic light turns red, the result may be death not only for him but also for others who had the right of way. In our democratic society none should expect continuous and undisputed right of way over others. And since all our institutions are based on willing conformity to law it would seem well to emphasize the rights of others in our educational procedures, at least equally with what Professor Wolcott calls "the universal uniqueness of the self."

Social life, becoming ever more complicated and interdependent, demands disciplined behavior from all participants. Carried to the extreme, this discipline can lead to the virtual slavery enforced by communist dictatorships. Omitted altogether, the lack of discipline results in anarchy. The role of the educator, whether parent or teacher, is to point the golden mean between the two.

In one respect the advocates of so-called progressive education have made an unchallengeable contribution. Their belief that it is the happy child who learns most readily is no longer seriously questioned. But this advance has brought the much more dubious



*Since our institutions are based on conformity to law, we must emphasize the rights of others*

conclusion that discipline of every sort should be minimized in the modern school, since indubitably discipline sometimes runs counter to juvenile happiness. The flaw in the reasoning should be obvious. It is the wholly undisciplined child who is most miserable, and who inculcates misery in all around him.

That is the danger latent in fine Freudian phrases such as "the universal uniqueness of the self." They must be coupled with a parallel emphasis on the

universal cooperativeness of orderly society, or else education will become a debasing process. Professional educators frequently proclaim the "life adjustment" values of the modern curriculum. Too often the egocentric youngster finds that courses so labeled were a complete misnomer. Not having learned to adjust to life in either home or school, many acquire their first taste of discipline from the policeman and the juvenile court, whose function is not educational but corrective.

Even when reform school is avoided, the necessary ingredient of discipline must be supplied from some source. Those caught by the military services learn it there, usually to their lasting advantage. But all too often the unexpected responsibility falls on the long-suffering employer. One wonders about the future experiences of those students who, in Professor Wolcott's judgment, should never be told what to write. Some of them may aspire to newspaper work. When they receive their first assignment from the city desk will they reply that the artist within them rebels against fulfilling it?

The best discipline, of course, is self-discipline. Throughout the ages it has been the role of all religions, especially Christianity, to develop character to this end. When education was a function of the church alone there was certainly plenty of illiteracy. Not many were educated, but all who were had learned self-discipline. And there was no dearth of artists as a result.

It is no mere coincidence that with the secularization of education this disciplinary problem has come increasingly to the fore. The child without religious motivation sees no good reason to discipline himself. Until recent years that void was filled by the birch rod and the dunce cap, but these are ruled out now and happily so. However, with no subjection of the pupil to either internal or external discipline one of the most essential lessons of life remains untaught. And this failure of our educational system has to be made up later, often in stern and uncompromising fashion, and at the expense of society as a whole.

It follows that one of the most interesting and promising developments of the academic year now closing has been the sharply increased number of church-related schools, in every section of the country. In these schools teachers very definitely tell their pupils not only "what to write," but also how best to write it. Professors of education who argue that this is "stultifying" will not halt this trend. They are more likely to accelerate it.

One very interesting church-related school is that conducted by St. Thomas Episcopal Church in Houston, Tex. Its rector, the Rev. T. Robert Ingram, suggests in a recent pamphlet that, because of compulsory attendance laws, the so-called public schools should properly be called "governmental." The truly public schools, he argues, are those supported not by taxation but voluntarily. "When the police power is brought into play to compel support and attendance, at that instant the people lose ownership and control."

And, he might add, professors of education take over.

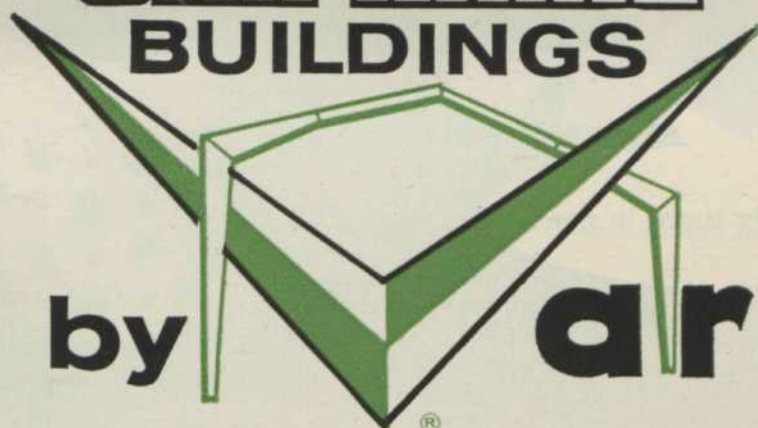


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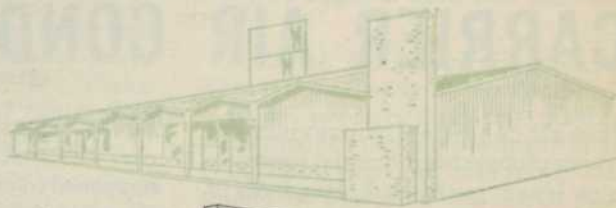
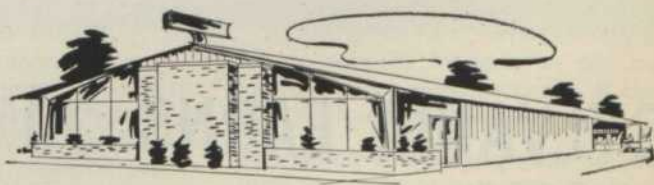
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Many other manufacturers report similar figures and it is significant that neither the geographical location of their plants nor the type of products manufactured affects the size of their gains. What does determine the profit-

ability of air conditioning, in almost all cases, is the density of workers in a given plant or plant area.

Where the number of workers in relation to the space in which they work is high, the return on the air conditioning investment is high. For this reason, the most densely populated departments should be air conditioned first in any program calling for the installation of complete plant air conditioning over a period of years.

There are other yardsticks, too — all described in the booklet, "Will factory air conditioning pay off for me?" which we will send you without obligation. Write for it today, then make your decision. Carrier Corporation, Syracuse, New York. In Canada: Carrier Engineering Ltd., Toronto.



# How to read the outlook signs

Specialist explains how indicators can be useful to all businessmen



A Nation's Business interview with  
**MARTIN R. GAINSBROUGH**,  
chief economist,  
National Industrial  
Conference Board

BUSINESSMEN TODAY face these key economic problems:

1. How, over the long run, to compete in an increasingly competitive world market.
2. How, for the short run, to extend the current aging business cycle.
3. How to overcome the squeeze on business growth caused by the high cost of government.

These are the opinions of Martin R. Gainsbrugh, chief economist of the National Industrial Conference Board, a nonprofit research organization in New York.

To help you with your basic business planning, NATION'S BUSINESS has interviewed Mr. Gainsbrugh on how to read the outlook signs. His answers follow.

**Mr. Gainsbrugh, what do you see as the key economic questions for the next year or two?**

Over the long run, I would say the key question is the ability of American industry to compete in an increasingly competitive world market. That will have impact not only on our foreign trade position but also on the stability of our domestic economy.

Over the shorter run, I would say it is the problem of the current aging business cycle.

A third problem is the size and cost of all forms of government and the restraining influences those costs may be exercising upon economic

growth. In the early postwar decade, the increase in volume, the rise in prices, and the stimulus of inflation have enabled industry to take high costs of government and still grow.

In the years immediately ahead, as the postwar baby crop comes into the labor force, we are going to have a terrific need for investment.

At the same time, taxes are starting to squeeze because we are no longer getting sales increases at the rate we had earlier.

**How much economic growth do you think we ought to have over the long run?**

I would be guided largely by what our market system determines.

If we press beyond the market decisions, then it is government that is deciding what our rate of growth should be and what should be produced. We start substituting one way of life for another. Let me put it another way: No system in the world has achieved, in the long run, as high an economic growth rate as the private-market system. I believe that our rate of growth in the future ought to be determined by those same factors. If, for reasons of national security, a higher rate of growth is found necessary, I'm certain we would respond, as we have in past periods of crisis.

**Is there any fundamental conflict between inflation and economic growth?**

Yes. Inflation contributes toward



an unbalanced as well as an excessive rate of growth, which cannot be maintained. This is the big danger of inflation—the bust which follows, rather than the growth which goes along with it.

If we were convinced that it would be in the national interest to intensify our rate of economic growth, we could do it, without necessarily having inflation. We could work longer hours, put more people to work, resort to voluntary patriotic devices to make people exert the extra effort that gives us greater national output.

**At present, does the situation indicate a continuation of economic strength?**

Yes, with reservations.

End-product demand has been running strong, and expectational data show that consumption trends will probably continue so for some time.

Business planning for expansion also indicates an increase.

**What is meant by expectational data?**

Underlying all foreshadowing statistics is a basic concept: In a society such as ours, planning takes place—planning by business, planning by government, even planning by consumers. From these plans subsequent actions emerge. That is the underlying tenet of the foreshadowing or expectational approach.

Assemble in statistical fashion, as best you can, the plans of industry, of government, of consumers, and you will more or less be anticipating subsequent actions of those sectors of society. That is not to say

that all plans materialize. Subsequent events may alter plans and actions. But, in many instances, the plans themselves are the results of long months of study and, once approved, only major swings in the economy or some radical random factor will alter the planned action.

For purposes of business analysis, we are interested in knowing not only the rate at which goods are entering the market place but also the rate at which goods are leaving the market place.

Through the gross national expenditures account we are able to observe changes in the composition of national demand. Once a good enters the market place, only four things can happen to it: It can be taken off the market place for personal consumption; business can take goods off the market place to be used for further production; we can ship more to foreign countries than they ship to us, or the contrary; and government can take goods off the market place, acting as our intermediary. These are the major sources of end-product demand.

As best we can measure such demand, it rose in every quarter of 1959. Even in the third quarter of 1959, for example, with the restrictive influence of the longest steel strike on record, consumers, government and business, generally, took more goods off the market place than in the second quarter.

This strength of end-product demand, which was the dominant economic characteristic of the economy in 1959, continued to rise in early 1960.

This is still the economy's salient characteristic and it is worth recalling that strength of end-product demand enabled us to overcome one dislocation after another in 1959. It did so again in the first quarter of 1960, in the face of one of the sharpest breaks on record in the stock market, an abnormally cold winter, and other dislocations.

**Do surveys involving plant and equipment expenditures at present indicate an increase in plans?**

Yes. It seemed early this year that the unfavorable developments in the equity markets might lead industry to recast its thinking about economic

prospects in the months or years immediately ahead. It was enlightening, therefore, to have the latest survey of the U. S. Department of Commerce on industry's intentions to spend for new plant and equipment show that industry plans to spend 14 per cent more this year than last.

Or take our own survey of capital appropriations of the 1,000 largest corporations. Appropriations precede investment by nine to 12 months.

They rose in every quarter of 1959 and will, I believe, go higher again in the first half of this year.

This upsurge in investment in new plant and equipment is perhaps the most potent economic force currently visible for 1960 and possibly 1961 as well.

**Doesn't this add up to optimistic business psychology?**

It may reflect a change in the character of investment policies as much as optimism, for this reason: More and more industries are gearing their investment programs to long-range planning.

This, backed up with high retained earnings and improved cash flow, pushes them in the direction of expanding their investment, even though, in some instances, they may have growing uncertainties about the immediate course of business.

**To what extent do you think the fact that the current period of expansion is in its third year might be affecting psychology?**

Far more, perhaps, than would appear on the surface. Businessmen now know more about business-cycle history than earlier generations did. They know that studies by the National Bureau of Economic Research reveal that the average length of the expansion phase of the cycle has been about 30 months.

Since the statistical beginning of the current cycle was April 1958, some merely add 30 months to it and come up with the fall of 1960 as the end of this recovery. But those performing this type of arithmetic are reading false periodicity into the rhythm of the business cycle.

We have had long periods of ex-



Businessmen  
now know  
more about  
business-cycle  
history





pansion and prosperity, as well as short. Postwar periods of recovery and prosperity have lasted three years or more, rather than just 30 months.

Periods of expansion seem to be lasting longer while the contractions have been shorter.

Nevertheless, the businessman is aware that this recovery phase is no longer young but maturing. As it matures, he can no longer count on the extremely high rate of growth to bail him out of poor decisions, as it might in the initial period of recovery.

**What are some of the significant statistics that businessmen can profit most from following?**

The highly sensitive ones include number of new incorporations, new orders of manufacturers' durable goods, industrial-stock prices, wholesale prices of basic commodities, commercial and industrial construction contracts, residential construction contracts, average workweek in manufacturing, and total liabilities for business failures.

Toward the close of the first quarter, virtually every one of these indicators was moving downward, thereby creating growing uncertainty among those who rely heavily upon such approaches to business analysis.

Excessive reliance upon this approach, however, can be highly deceptive.

These series also moved upward sharply before the steel strike and downward afterwards. In the early months of 1960, they again may have been excessively influenced, first by the rush to replenish inventories of steel and cars and, then, by the contraction of production, to more sustainable rates.

These are worth business attention but, in my judgment, they should not be relied upon exclusively.

I would give as much weight to the foreshadowing statistics as to any body of data that thus far has been developed. What is happening to business intentions to spend and to consumer plans to buy should foreshadow subsequent actions as much, if not more, than data drawn from the past.

**Do data now available indicate that consumers are holding back on purchases or that they are going ahead with plans to buy?**

In the first quarter of this year, with the Dow-Jones Index dropping by more than 10 per cent, there was great interest as to what this might

“ This recovery phase is no longer young but is maturing ”



be doing to consumer psychology or to business investment programs.

Our surveys of consumer buying plans throw light on that question. They show that consumers were far more interested in job opportunities in their own communities and far more influenced by their own patterns of income than by what was happening in the stock market, with one exception: That is, the top income groups. There, our figures suggest, the break in the stock market did begin to eat away at intentions to buy the big-tag items. But the end of the steel strike and the renewed flow of income to the affected families offset the restraining influences that were visible in the top income group.

Throughout the first quarter, strength of end-product demand was clearly discernible in the foreshadowing statistics for the consumer sector.

In fact, intentions to buy homes began to move up during the first quarter, as consumer knowledge of the easing in money markets became more widespread.

It would be difficult to find support for the idea that we are at or near the turning point of the business cycle in the foreshadowing statistics in the consumer area.

**At present then, consumers are not pessimistic?**

You would hardly expect them to be. Their incomes are at an all-time high. We have more people at work for higher wages and wage-rates than ever before. In addition, they anticipate even higher incomes in the months ahead, and, in many instances, higher wage rates.

Expectations of higher incomes, coupled with high current income, certainly do not constitute a depressing force.

**Do any statistics justify great pessimism? Would you say that the pessimists today are the men who were overly optimistic a short while ago?**

That is well put. The events of early 1960 can be viewed as disappointing only by those with excessive expectations.

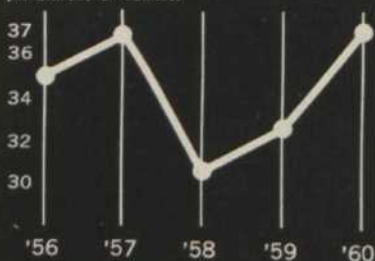
I was concerned some years past about the position of the economy when the artificial stimuli of World War II were finally withdrawn. Wars are always highly stimulative to the victor, at least for the first decade or so.

Some are still concerned that the United States may yet encounter a more severe economic contraction than any it experienced in the first postwar decade—the so-called secondary postwar correction.

(continued on page 96)

### EXPENDITURES FOR NEW PLANT AND EQUIPMENT

(in billions of dollars)



“ This upsurge is perhaps most potent economic force for '60 ”



# NEW INFLATION PRESSURES AHEAD

Costs, politics will be major factors in price levels during next decade

WHAT IS THE OUTLOOK for inflation?

With the air full of conflicting reports, forecasting has become increasingly difficult.

You hear that inflation is over. Then you read that consumer prices are creeping upward again. The Eisenhower Administration claims to have halted inflation in its tracks. Then some politician charges inflation was only a phantom anyway. Finally, you read that nothing can stop future wage-price rises.

Glance back into history. Prices went up during and immediately after wars. They fell again once peace was restored. That's the way it was until World War II. But almost everything seems to have continued rising in cost since then.

Why have prices stayed high since 1945? Will costs and prices climb still higher in the years ahead? Or, has inflation been stopped? Has a trend been reversed?

To understand inflation and predict what the future holds, it's necessary to look at three factors that affect pricing: more demand than supply, price rigidity, and government policies.

## **Demand over supply**

Demand exceeds supply when governments want more than the economy can satisfy at current prices, as in wartime, or when consumers and business try to buy goods or build inventories and capacity rapidly.

After World War II corporations had high incomes, liquid reserves and good credit. Consumers, too, had higher incomes, considerable savings and an unsatisfied appetite for goods.

The government adopted, or continued, policies which supported consumer demand without first permitting business to increase its capacity to produce goods to meet that demand. So prices went up.

At the same time, business hurried to increase its productive capacity. So prices of producers' goods went up also.

After World War II, demand for many types of labor also exceeded the supply.

Less than four per cent of the labor force was unemployed for several years. In rapidly growing industries and services unemployment was even lower.

Increases in wages tended to be based in large part on results of negotiations between labor and management in major growing industries. Their contracts influenced wages and salaries for nonproduction work-

ers and for other industries, trade, service, and utility corporations.

Blue-collar wage increases in manufacturing, which averaged about six per cent a year from 1945 to 1959, were heavily influenced by the argument that productivity in key industries would rise substantially. But in other industries which had to raise their wages to maintain worker morale and assure an adequate labor supply, productivity was not rising this rapidly.

Did the output of a repairman, for instance, rise as fast as that of a production worker behind a new machine? Did a haircut last longer as its cost rose?

White-collar salaries per unit of production went up even more than blue-collar wages. This was true for several reasons. Much of the differential between wages and salaries had to be maintained to attract and hold white-collar workers; more complicated production and distribution methods required more staff; expanded research increased salary outlays with little immediate effect on production.

For these reasons wage increases from 1945-59 exceeded productivity increases for the economy as a whole. This further increased demand faster than supply and supported inflation.

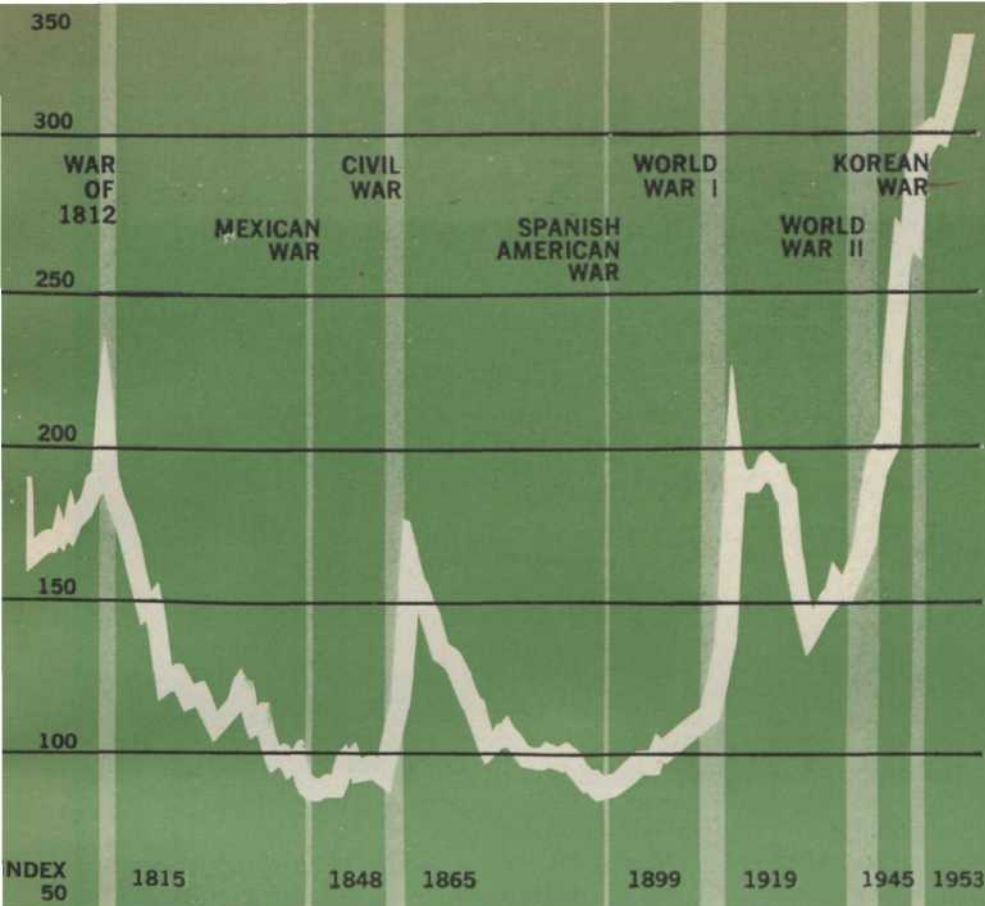
It also brought into action a new factor in wage adjustment—the cost-of-living clause. Such clauses in labor contracts can encourage inflation for many reasons, among them the fact that the Bureau of Labor Statistics' cost-of-living index overstates the real rise in the cost of living. Recent testimony before the Congressional Joint Economic Committee suggested that 40 per cent of the rise reported after 1947-49 did not really occur.

The technique used in preparing the index does not allow for improvements in quality and service. If a pair of shoes was priced at \$10 one year and \$12 the next, the index would indicate a 20 per cent rise in the cost of shoes. If the quality had been improved, this would not be considered.

There was a time when an automobile could be bought for about \$400. This same make now costs \$2,600. Obviously, the present car is much better than the original, but the index is not adjusted for the improvement. Even when a manufacturer introduces a car that costs less, the BLS does not use the price of this car to adjust its index at that time.

The cost of medical care as shown in the index has





## WHY

### has price level remained high since World War II?

Graph (left) shows prices have risen during and after U.S. wars, declined in peace time.

But since 1945 prices have stayed high. Reason: Government policies supported consumer demand without first permitting business to increase capacity.

Other causes: Undersupply of labor, business spending to increase capacity, wage hikes that outran productivity gains.

risen more sharply than most other costs. But a family does not buy hospital bed-days, it buys treatment. A confinement case 25 years ago tended to take 12 or more hospital bed-days. A confinement case today tends to take three.

The cost per bed day has risen but the number of days used has been cut. The hospital confinement cost today actually may be less than it used to be. The index shows it as doubling.

All concerned with the index agree that this approach has a strong upward bias but those responsible for the index believe that no other method is practicable. Usefulness is difficult to measure accurately.

Because of this bias alone, any cost of living adjustments in future labor contracts will tend to continue inflationary pressures.

#### Rigid prices

Material and equipment prices went up in recent years because both costs and demand went up. Higher profits were necessary to finance capital expansion and the market has absorbed the price increases.

Management had never experienced, in peacetime, such an extended period in which almost any price increase was accepted—and passed on.

When production was handled by many small concerns, prices were adjusted quickly down or up. But as companies grew, price rigidities developed which tended to hold prices up during recessions.

Rigid prices did not result from lack of competition. Competition between firms has never been more vigorous. But the competition was in quality and service. Quality usually went up rather than price going down.

Competition between industries was as strong as competition within industries. This fact is being recognized more now.

This kind of competition reduces price rigidity but direct price competition within industry will probably never be the same as it used to be. Price cuts may come in part through greater durability, better service, better quality. As long as the present cost of living index technique is used, this may continue to suggest that prices are steady or rising, even when the price per unit of service is dropping.

#### Government policies

Policies of the federal government immediately after World War II spurred inflation.

The government frequently spent more than the Treasury collected in revenues. The Federal Reserve conducted an easy money policy which produced excessive spending and lending power at current prices in the economy.

Though pressures for still higher levels of government spending continue, government policy in recent years has been distinctly anti-inflationary.

The Federal Reserve's tight money policy, conservatives' demands for a balanced budget and the so-called jawbone technique, whereby President Eisenhower has urged management and labor to use restraint in raising prices and wages, have all tended to slow down inflation.

The fact that productive capacity has increased to meet demand, and rising imports have brought new competition to many industries, also has helped hold the price line.

(continued on page 90)



# FEDERAL SPENDERS LOOK TO 1961

Legislation could swing to the left if liberals get what they want—control of the powerful House Rules Committee

A STRUGGLE NOW being planned on Capitol Hill may determine the extent to which the next Congress launches big new welfare spending programs.

The showdown will come in January. It will center on the make-up of the House Rules Committee.

This committee now has such sweeping authority that it has been called "the third house of Congress." No legislation to launch a new federal spending program can reach the House floor for action by majority vote without its consent, or the use of cumbersome parliamentary maneuvering.

At present, six of 12 Rules Committee members are conservatives who generally regard themselves as a board of elders charged with protecting the Treasury against pressure groups looking for handouts.

Because a majority vote of the Committee is necessary to clear a bill for action, these six have been able to prevent House consideration of a good share of the liberals' bolder legislative proposals.

Last summer the liberal-oriented House Education

and Labor Committee approved a four-year plan to spend \$4.4 billion for building classrooms and boosting teachers' salaries. Early this year the Senate passed a two-year plan to spend almost \$2 billion for the same purpose.

Both bills now are dead. The Rules Committee won't let them reach the House floor. In an effort to appease the Rules Committee, the House Education and Labor Committee has now written a bill calling for less than \$1 billion in school construction money spread over three years and providing nothing for teachers' salaries.

Even before considering this compromise, the Rules Committee held out a threat against any Senate effort to put some of the money back in. It was able to do this because it can block negotiations to iron out differences between House and Senate passed bills. It uses this power to put House-passed bills before the Senate on a take-it-or-leave-it basis.

Before Congress adjourns, the House Banking Committee plans to draft a catch-all housing bill calling for additional federal spending on slum clearance and additional federal lending to build college dormitories.

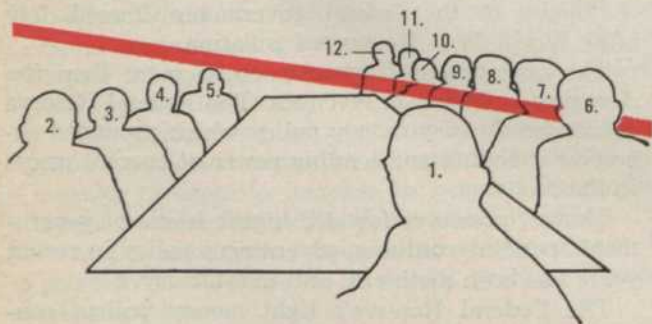
Because of Rules Committee opposition, Democratic leaders probably will have to resort to the suspension-of-rules procedure to get a House vote. Since that requires a 2-1 vote for passage, conservatives have hopes of defeating the measure.

By early this spring the Rules Committee was exerting silent influence in the fight over labor-backed legislation to raise the \$1 an hour minimum wage and expand its coverage. Pro-labor Democrats were warning union lobbyists that the House Labor and Education Committee would have to scale down labor's demands to a level acceptable to the Eisenhower Administration if the bill were to have any chance of clearing the Rules Committee.

Because of failure to achieve the ambitious goals they mapped after the 1958 Democratic election victory, liberal House Democrats are frustrated and bitter.

They vow they're going to fight to liberalize the Rules Committee when (continued on page 114)

## Conservatives control committee



### CONSERVATIVE BLOC

1. HOWARD W. SMITH (Dem. Va.)
2. LEO E. ALLEN (Rep. Ill.)
3. CLARENCE J. BROWN (Rep. Ohio)
4. B. CARROLL REECE (Rep. Tenn.)
5. HAMER H. BUDGE (Rep. Idaho)
6. WILLIAM M. COLMER (Dem. Miss.)

### LIBERAL TO MODERATE

7. RAY J. MADDEN (Dem. Ind.)
8. JAMES J. DELANEY (Dem. N.Y.)
9. JAMES W. TRIMBLE (Dem. Ark.)
10. HOMER THORNBERRY (Dem. Tex.)
11. RICHARD BOLLING (Dem. Mo.)
12. THOMAS P. O'NEILL (Dem. Mass.)





**BULWARK AGAINST SPENDING** is provided now by six House Rules Committee members identified beneath bar in diagram on opposite page, including Committee Chairman Howard Smith, in foreground. Men shown above the bar take positions ranging from "liberal to moderate." Photo is first ever made of entire Committee

PHOTO: ROBERT PHILLIPS





ROBERT PHILLIPS

# BUSINESS IN POLITICS: WHAT YOU CAN DO

Rights of companies and unions are explained  
in interview with Justice Department official

WHAT YOU CAN DO in politics is influenced by the fact that you are a businessman.

As the 1960 campaign gets under way, businessmen are becoming increasingly interested in knowing what part they can play in the election without running afoul of federal or state restrictions.

As an individual you can do anything anyone else can do. Acting in the capacity of a corporation executive, however, both you and your company are subject to several laws.

In an effort to clarify how far businessmen can go as far as federal law is concerned, NATION'S BUSINESS this month interviews Joseph M. F. Ryan, Jr., Acting Assistant Attorney General in charge of the Justice Department's Civil Rights Division. That agency is responsible for administering the federal election laws.

Mr. Ryan discusses the federal laws which regulate the political activities of both corporations and

labor unions. There are many things businessmen can do which they are not now doing. Unions, for example, undertake activities that businessmen shy away from.

Yet the law, Mr. Ryan says, applies equally to business and labor organizations.

In this exclusive interview you will learn how businessmen may take a more active role in politics.

Many of the questions Mr. Ryan discusses have not been resolved by court decisions, and he stresses that it is therefore frequently impossible to give definite answers.

In emphasizing that these views are his own and not necessarily those of the Department of Justice, Mr. Ryan also cautions that a businessman desiring to engage in corporate political activity should first consult his company's attorney. Political action, he points out, is a field where generalizations are often perilous and where each case must be decided on its



own special facts. Mr. Ryan's answers to key questions on political activities follow.

**Mr. Ryan, what are the basic laws which concern businessmen and their political activities?**

Considering solely federal statutes, the law with which a businessman must be concerned primarily is Title 18 of the United States Code, Section 610, commonly called the Corrupt Practices Act.

In this discussion we will restrict our idea of corporations to those organized under state laws. We are not talking about federal corporations or national banks. In that framework, a corporation acting through its agent, who would be a businessman, must guard against any contribution or expenditure for federal officers in either general or primary elections.

The next statute which must be considered is Section 611 of Title 18. This refers to firms or individuals who are contracting with the federal government. It restricts contributions to any political party, committee, or candidate for public office. This includes primary and general elections, and includes both federal candidates and state candidates.

My personal view would be that it would not apply to the independent subcontractor.

**What other laws should businessmen know about?**

The next is Title 15 of the United States Code, Section 79(1) (h). This prohibits political contributions by registered holding companies. It makes it unlawful for any registered holding company or its subsidiary to make any contribution in support of a political party or a candidate, or any committee or agency of the political party. This applies to any election, state or federal.

Another significant statute to be considered is the one which requires identification of authorship of any political campaign material which is circulated.

This has a twofold purpose and effect: One is to make possible a better accounting of the funds spent by candidates or by committees acting for the candidates; the other is to prevent the circulation of anonymous, scurrilous campaign material.

Basically those are the laws with which we are concerned. This does not include the many state laws which would have to be consulted by businessmen who are agents or representatives of corporations in their states. Sometimes even local ordinances have to be consulted.

**A violation involves what penalties?**

Violation of 610, by either a corporation or labor union, involves a fine of not more than \$5,000.

However, any officer or director of the corporation, or any officer or director of the labor organization who consents to any contribution or expenditure by the corporation or the union, and any person who accepts or receives any contribution in violation of the law, is subject to a fine of not more than \$1,000, and imprisonment for not more than one year. This is a misdemeanor.

If it can be shown that the violation is willful, then the crime becomes a felony and imprisonment up to two years or a fine up to \$10,000 may be imposed.

Contributions by firms contracting with the federal

government also constitute a felony. That violation entails a fine up to \$5,000 and imprisonment up to five years, or both.

The Public Utility Holding Company Act, which forbids political contributions by a registered holding company, or any subsidiary thereof, carries a penalty of up to two years imprisonment and a fine up to \$10,000. Violation is a felony.

**What are the basic concepts and intents of the statutes?**

The original purpose, of course, was to assure fair and honest elections. The underlying purpose is to preserve the integrity of the election process and to prevent large organizations from exercising a disproportionately powerful influence over federal officers.

A second reason is a feeling that corporations or labor unions have no moral right to use organization funds for payments to political parties without the consent of all their members.

**Does Section 610 of Title 18 apply to solely owned companies or partnerships?**

The federal law does not apply to partnerships. Solely owned corporations, as long as they fulfill the definition of a state corporation, would be included.

It's a matter of the definition of corporation. A company which is owned outright by an individual and operated by employees is not covered as long as it does not hold a corporate charter from the state.

**How do the laws differ with regard to businessmen and individuals?**

The election laws do not restrict a businessman as such when he is acting individually.

Nor would they restrict a member of a labor organization in his individual capacity. It's only when either acts in an official capacity or on behalf of his office that the Corrupt Practices Act comes into play. There are, however, many other election laws that pertain to private citizens (continued on page 46)

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## Do you know . . .

What federal laws apply to your political activities?

If law applies to solely owned companies or partnerships?

Whether unions can spend money for political activities where companies cannot?

What legal actions have been taken against firms? Against unions?

How political expenditures differ from contributions?

Under what circumstances businessmen can distribute information on candidates?



# Get more from your training

These four steps  
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TO GET FULL VALUE from a management training course, you have to send the right man to the right school at the right time for the right reason.

That is the advice of leading corporation executives and educators who have been taking a critical look at the return business is getting on its hefty annual investment in outside training courses.

The practice of sending executives to school at company expense has grown enormously in recent years. At least 50 university-level management courses are being offered this year. They range in length from two weeks to nine months. Tuition charges begin at about \$500 for the shortest courses and rise to more than \$2,000. Add the salaries, living expenses and travel costs of the 3,000 student-executives who will attend these courses, and the total tab comes to more than \$20 million.

Suspicion is growing in management circles that much of this money is being wasted. Some companies, such as Armco Steel, have become so disenchanted with outside courses that they have overhauled their training policies to put main reliance on in-plant development techniques.

Other authorities share the view expressed by Dean Howard W. Johnson of the School of Industrial Management at Massachusetts Institute of Technology.

Dean Johnson says most organizations are not getting full value from executive training at present. This doesn't mean that management courses are inherently useless. It simply means that business as a whole has not yet learned how to use them effectively.

The experts consulted by NATION'S BUSINESS listed four things that a company must do to insure that its outlay for management courses will produce results.

They are:

1. Put formal training courses in proper perspective as a small, but potentially vital, part of the company's over-all executive development strategy.
2. Select candidates with great care, and make sure the courses





they attend are suitably matched to their levels of experience and their specific developmental needs.

3. Prepare them in advance to get maximum benefit from their training.

4. On their return put them in jobs that will give them full opportunity to practice the new skills and concepts they have learned.

Let's take up these suggestions in order.

### **Pick the course**

There was general agreement among the experts that management courses have tended to become a fad, and that many companies have been sending executives to them simply because it is the thing to do.

"Too frequently," says Ormsbee W. Robinson of International Business Machines, "there has been little forethought about the objectives to be achieved. As a result, there have been disappointments."

Inspired by what one dean called "the unbounded faith in education which is characteristic of all Americans," sponsors have assumed that any man exposed to an expensive training course at a university must return greatly improved in his capacity as an executive.

Now the pendulum is swinging back toward a more realistic appraisal. Outside courses may help some men at certain points in their careers. But they are altogether too costly in time and money to be used indiscriminately. They are not a substitute for the slow, painstaking, on-the-job techniques of manager development.

"We look upon these programs as only one means of inducing management growth," says the president of a utility firm. "They are only supplements to such activities as coaching by the boss, job rotation, interdepartmental assignments, special research projects, and, most importantly, the manager's own efforts at self-development."

Fletcher C. Waller, vice president of Bell & Howell, says it is essential to remember that manager development is a process rather than a program. Executive competence cannot be "arbitrarily induced in a six-week or 12-week training program," but it may be heightened if the training course is wisely fitted into an over-all developmental process extending through the entire career of the individual.

Dean Johnson of MIT says 90 per cent of the total process of executive development must take place "in the context of the company itself" by reliance on "the two strongest educational weapons we have—responsibility for results and authority to manage."

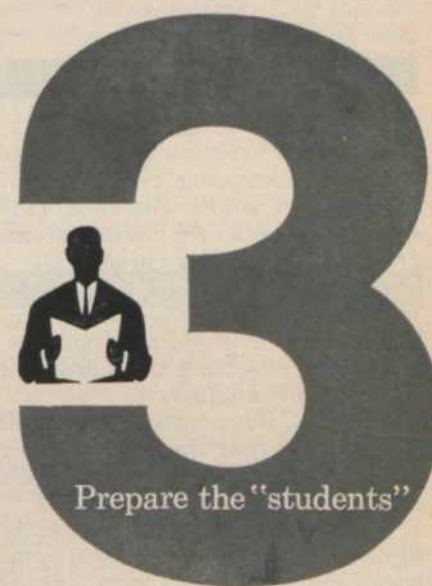
He says well-conceived university programs are "uniquely qualified" to contribute the remaining 10 per cent—which may spell the difference between a good manager and an outstanding one.

### **Pick the man**

Many firms have erred in the past, authorities say, not only by expecting too much from outside training, but by sending the wrong men to school. Top management, declares Dean Johnson, has been uncertain about the value of university training, and has therefore been reluctant to send its best and brightest men. The tendency has been to play it safe by sending a good man—one who clearly needs development, but whose development may not be as important to the company as that of a better man who is kept on the job.

A company which wants to get maximum benefits from outside training will not choose men merely

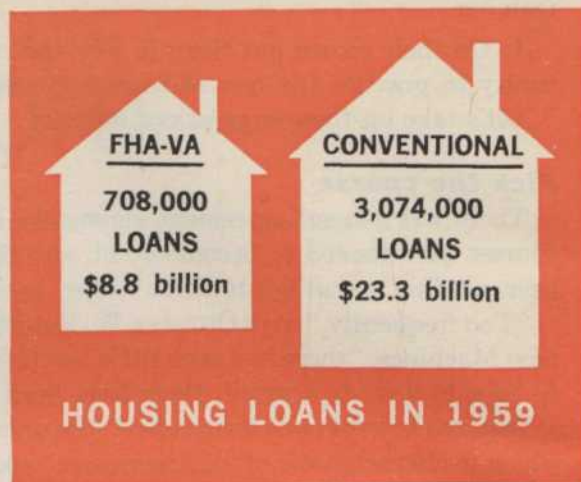
*(continued on page 94)*





# HOW'S BUSINESS?

today's outlook



## AGRICULTURE

New records by the nation's dairy farmers are expected to be reached this year, exceeding even the 1957 record high points—for total milk production and for cash income from the sale of dairy products.

The increase in total milk output would result from the continued upward trend in production per cow, more than offsetting the downward trend in cow numbers.

The U. S. Department of Agriculture reports that the proportion of young stock in the dairy population reached its highest point Jan. 1.

If beef prices decline persistently in the months ahead, the total number of dairy cows may turn upward in another year or so.

Cash receipts this year from the sale of dairy products should be greater due to, 1, increased marketings, and, 2, prices holding near present levels. As to net dairy incomes, continued low feed grain prices will probably offset most of the upward pressure on other production costs.

## CONSTRUCTION

Conventional home loans continue to be the most important type of mortgage financing.

Last year, an all-time high of 3,074,000 such conventional loans were made in the under-\$20,000 market, and their total dollar amount was a record \$23.3 billion.

The number of loans made under FHA and VA provisions during the

year totaled 708,000, with an aggregate amount of \$8.8 billion.

Conventional mortgage loans have, over the years, shown strong, steady progression. FHA and VA loans have not.

For example, since the close of World War II, the number of conventional loans made has shown year-to-year decreases on only four occasions. Numbers of FHA loans registered declines in six of the 14 years. Fluctuations of VA loans have been greatest of all—seven annual increases and seven decreases.

Despite these contrasting records, Congress is being asked to increase federal controls and federal direct-lending operations.

## CREDIT & FINANCE

Easier credit appears likely in the months ahead.

A general tendency toward easing in the long-term mortgage market may carry through the fourth quarter. Consumer buying trends indicate a greater demand for funds, with business and government borrowing showing a steady to slightly downward tendency.

Political problems still plague Treasury efforts aimed at lengthening the maturity of the public debt. Congress has continued to ignore legislation which seeks to remove the 4¼ per cent interest-rate ceiling on government obligations.

Even though Congress may decide to sidetrack legislative action on this issue in deference to the 1960 election campaign, the need to re-

move the ceiling will become apparent again during the next session of Congress.

## DISTRIBUTION

While over-all sales of retailers and merchant wholesalers are holding slightly above year-ago levels, rising costs continue to slow profit improvement. For example, the Controllers' Congress of the National Retail Merchants Association reports that the department stores with best profit gains have achieved such results by keeping operating costs down.

Although lively competition in both the soft and durable goods areas helps to moderate upward price pressures, the Bureau of Labor Statistics reports slight retail apparel price increases.

Appliance industry sources, on the other hand, report lower retail price figures on new-model freezers, refrigerators, and clothes washers. Dealers attribute current downward price pressures to big inventories.

Yet, the foundation for healthy retail business—rising consumer incomes—remains solid, according to the U. S. Department of Commerce.

## FOREIGN TRADE

Business and government officials are working together to arrive at constructive measures to expand the sale of United States goods abroad.

The program of consultation has already proved of value in defining competitive problems encountered



# Chamber of Commerce of the United States

by U. S. exporters. This should help bring about reduction of trade barriers and possible elimination of practices which tend to place American-made goods at a disadvantage in third markets—such as export subsidies employed by some trading nations.

An important instrument for negotiation in this regard is the General Agreement on Tariffs and Trade, of which the United States is a contracting party along with 36 other nations. Members of GATT will meet in September at Geneva.

Significant, also, is a growing realization that future expansion of international trade for the United States and other industrialized nations depends in great measure on finding ways to build up the purchasing power of less-developed nations.

Attention of the Economic and Social Council of the United Nations, meeting in Geneva this month, will focus on this problem.

## GOVERNMENT SPENDING

Fiscal 1960 ends June 30 and it appears likely that the final budget figures will show a balance. Lagging revenues may make it difficult to achieve the \$217 million surplus estimated by the President in January, but the final figure will be of that general size.

The shape of next year's budget—fiscal 1961—should be determined this month. Action on appropriation bills is expected to be completed, with the exception of the Defense and Mutual Security bills. It is expected that total appropriations will not vary significantly from the President's recommendations.

More important, however, will be the impact made on next year's budget by substantive legislation which may receive action this month. Several bills are pending which would initiate new spending programs or expand current ones. These involve future costs of some \$10-15 billion.

## LABOR

As we move further into 1960, the question of the effect of labor relations on the business outlook gains increasing attention.

There is concern over collective bargaining negotiations; concern over whether we are moving farther toward or away from a labor govern-

ment and, finally, concern over the trend of public opinion respecting the concentrations of union power.

The 1960 negotiations involve manufacturing, machinery, electrical products, aircraft, glass, apparel and food products, as well as railroads, airlines, telephone and telegraph, electric and gas utilities and hotels. The question is whether powerful unions will push their demands to the point where real wages outrun productivity. If they do, we are headed for less stability, rising prices and increased difficulty in meeting foreign competition.

Labor is making a gigantic effort to punish congressmen and senators who supported reform legislation last year.

## NATURAL RESOURCES

New subsidies will be added to federal water resource projects if Congress adopts a liberal cost-allocation formula proposed by electric cooperatives and other public-power organizations.

Under a bill in Congress, federal agencies would be permitted to set lower standards of economic feasibility. Many public works projects not justifiable under present criteria could then be judged feasible.

Recent testimony before the House Public Works Committee was to the effect that it should be national policy to consider "all purposes contributing benefits to the well-being of society." Federal agencies would thus develop river basins on a comprehensive basis, as in the Tennessee Valley.

Provisions of H. R. 8 would set interest rates below the government's cost of borrowing and would preclude consideration of "taxes foregone" as an item of cost in project evaluation. Social as well as economic benefits would be assigned to project features in measuring overall desirability. Benefits and costs would be stretched over 100 years, instead of the present 50.

Objections to this proposed reversal of present national standards for justifying federal public works have been raised by nearly all federal agencies. Rules which have been in effect since 1953 would be overthrown.

## TAXATION

In the home stretch, here's how congressional action on taxes shapes

up. The President recommended increases in the gasoline and aviation fuel excises. He won't get them. Funds for the highway program have been provided through June, 1961, and Congress will wait for completion of the big highway study in 1961 before voting additional funds.

Also recommended was another one-year extension of the 52 per cent corporate rate and excise rates on liquor, automobiles and tobacco, due to revert to lower levels June 30. Extension is almost automatic.

Nothing will be done to deal with the sensitive problems involved in the taxation of cooperatives or mutual financial institutions.

The temporary debt ceiling will be extended despite the greatly improved fiscal outlook. But the 4¼ per cent interest-rate ceiling now hampering Treasury debt management will not be removed.

Some minor compromises, however, may be reached to improve this situation.

Congress is in no mood to raise postal rates in an election year.

## TRANSPORTATION

The next 15 months will be most important to the future of the multi-billion dollar federal-aid highway program.

Congress is holding hearings to determine if the tax dollars channeled into the program have been well spent. If the investigators keep this objective before them, and do not turn the inquiry to political ends, the probe will prove worth while indeed.

In a construction operation of such gigantic proportions it seems likely that at least some examples of mismanagement, poor workmanship and corruption will be uncovered. Such transgressions should be corrected promptly.

In addition to the current investigations, Congress plans to give careful scrutiny to general progress on the construction, new cost estimates, and to the identification of groups which are benefiting, directly and indirectly, from the program.

Reports on these latter phases of Congress' study will be made available next year.

Since the program began in 1956, more than 6,000 miles of the interstate system have been completed. Almost 5,000 miles are currently under construction.



## POLITICS

*continued from page 41*

and cover a businessman or labor man acting in his individual capacity.

**Can unions spend money for political purposes in instances where corporations or businessmen cannot?**

I would say that the answer is no. The law is intended to apply equally to the labor organization and to the corporation.

I believe we could say that the free-speech defense available to unions would certainly be available to corporations for parallel activities.

For instance, the circulation of political views by a corporation to its own membership by way of what may be termed a house organ would be allowable.

If the phrase "spend money for political purposes" includes contributions or expenditures in behalf of

a federal candidate, federal law would bar both unions and corporations.

However, there is a legal way for both unions and corporations to engage in political activity of an educational nature. The unions do this by their COPE organization—Committee On Political Education—and the corporations could do something similar.

In other words, an organization can be set up for educational purposes, and be sustained and supported either by union or corporate money, as long as it serves non-partisan educational purposes for their members.

However, these satellite organizations may have another function which is divorced from education and would be purely political. These may be supported by voluntary contributions from union personnel.

The parallel, of course, could be true in the corporate field. Separate accountings must be made.

None of the expenditures of the labor union can go into the COPE fund for political contributions or activity. That can only go into the educational fund.

It's a fine line, but if it's crossed the law is violated.

In other words, as long as only the voluntary contributions which are solicited and are received by COPE are used for political purposes, there is no violation of law. But if any contribution or expenditure is made by the union for other than educational purposes, it will be a violation.

**How do expenditures for political purposes differ from contributions?**

Both definitions are extremely broad.

They are overlapping. A simple way to distinguish the two is to think of a contribution as a gift to a candidate or his political committee. Think of an expenditure as an outlay of funds or services in support of his campaign.

**What constitutes a voluntary contribution?**

A voluntary contribution is one freely made by an individual without reference to the organization to which he is related, whether it be a union or a corporation.

**Can stockholders decide voluntarily that the corporation should spend money for political purposes?**

As you have phrased it, the general answer would be no.

However, this is not to say that the stockholders of a company or the members of a union could not agree that they each would make voluntary contributions in a political campaign from their own personal funds as long as the funds of a corporation or the funds of a union are not spent.

However, there is no definitive case law to the effect that actual union or corporation contributions or expenditures would be legal simply because their voluntary character could be proved.

One of the purposes of the law is to make certain that corporations or labor unions do not use corporate or union funds for a purpose which would not be consistent with the thoughts of the entire body.

The law would be applied equally to corporations and labor unions insofar as you can show parallel-fact situations.

**Suppose we run down a few activities companies are permitted to engage**

*(continued on page 50)*

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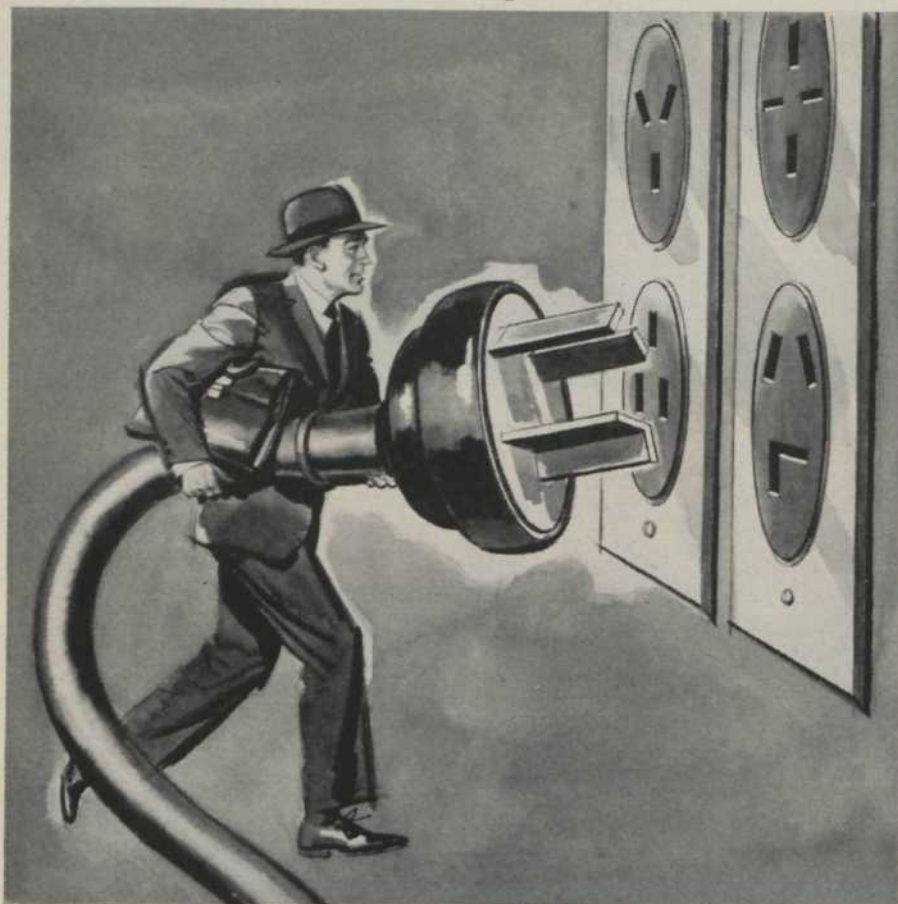


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## POLITICS

*continued*

**in. The company can allow time off to employees to register and to vote?**

That is correct. The management can urge employees to register and to vote.

**Can a company communicate to its own employees on issues and candidates?**

This could come under the heading of expression of views "within the family," which is not barred by the statute.

**May a businessman distribute information on candidates, parties or issues to persons not employed by the company?**

If it were partisan material in support of the candidate, I am afraid it would come within the prohibitions of the statute.

If it were purely nonpartisan, and therefore educational material, I would see no specific prohibition in the statute.

However, as most corporate lawyers will warn, there may be some problem as to the power of a corporate officer to do this under the charter without a charge of acting *ultra vires*—that is, exceeding his corporate authority.

The man who happens to be a member of management can distribute information of any character as an individual. In his individual capacity he can support any candidate to the extent that he wishes to do so.

**If a person takes part in political activities during the ordinary working day is he violating the law?**

We are getting into a gray area. You say during the ordinary working day, therefore he is being paid by the company for this time; he is utilizing this time in partisan political activity. This, technically, would be a violation of the law because it would be in the nature of a contribution or expenditure by the corporation.

A contribution or expenditure in such a case would mean that "something of value" was contributed.

The question to be resolved is this: Is the company contributing something of value for a federal candidate in any election? The company pays the man to work for the corporation.

If he uses company time for political purposes and on behalf of a candidate, the company then is con-



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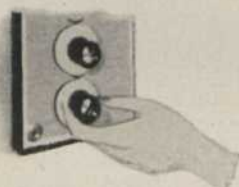
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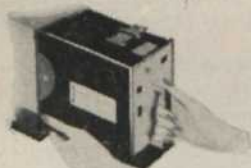
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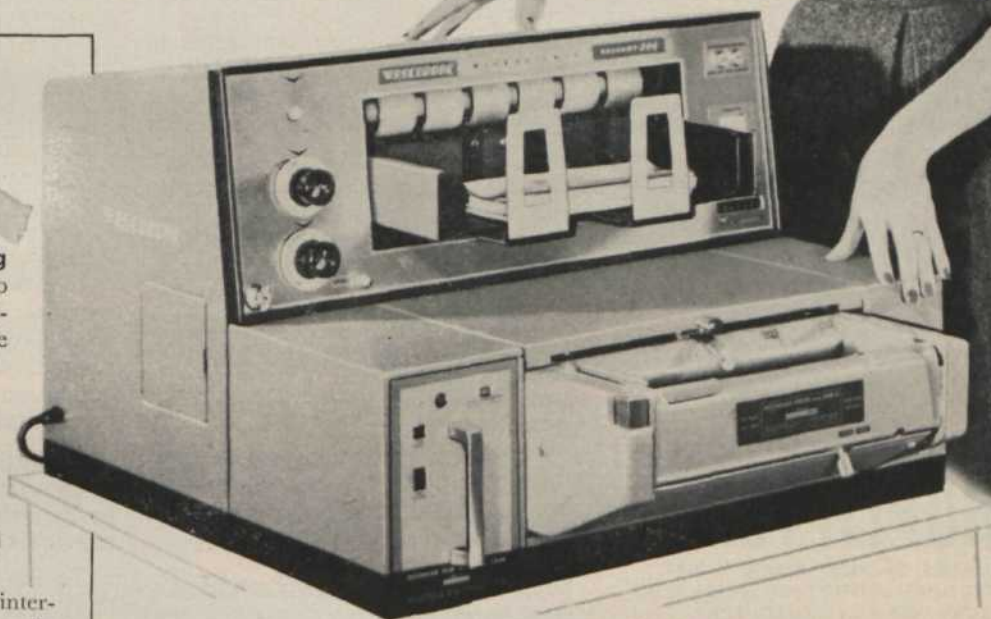
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## POLITICS

*continued*

tributing something of value. This is a violation.

Can a company make available mimeographing equipment or typewriters or some such tools for the duplication of campaign materials?

This is a contribution of something of value. Therefore this is barred by the statute.

Suppose these were made available on a nonpartisan basis?

This would still be prohibited by the statute because it would be in the nature of a contribution or expenditure in behalf of a federal candidate.

I do not want to include here any educational program sponsored by the corporation or labor organization for educating its own personnel as to the qualifications of opposing candidates in a federal election.

However, the recipient there would be the corporation or union's own personnel, and there would be no benefit to a federal candidate.

Can a company invite candidates to tour the plant, shake hands, talk to people? Can the company invite one candidate and not the other?

Nothing in the law indicates that it would be a violation to invite either one or two candidates. If a considerable amount of time were devoted by the corporation—that is, in making available its employees for, say, a considerable interval for consulting or conferring with the candidate—the area of an expenditure may be more closely approached.

However, I do not think a tour through a plant by one or both candidates would be such a use of company time.

Suppose that the company arranged a meeting at which the candidates are allowed to talk?

This definitely would come within the educational area, and there is no prohibition against it.

If it were a partisan matter—that is if you invite one candidate and not the other?

If there were a considerable interval during which the employees were away from their normal work, I think this would be in the nature of "anything of value"—within the definition of both contribution and expenditure in the statute.

Suppose that the meeting were held after hours. You are through work at four o'clock. After that you make the auditorium available to anyone who cares to come and listen to candidate "X" who is going to be there to talk to them and answer questions?

You are making your facilities available to a federal candidate. This, to me, would be something of value, and would be within the prohibition of the statute.

The question of whether the facilities are made available immediately after the work day or at some other time, such as in the evening or on nonworking days, is not at issue. It is prohibited in all cases.

However, if it were arranged through a political education program that opposing candidates would be invited to address the employees or members of the organization at this off-duty time, I do not feel this would be prohibited.

It all goes to build up a factual picture, which is what I think all these cases turn on.

The old refrain "one little rain drop does not make a shower" is particularly appropriate here, but just how many rain drops do make a shower is something which has to be determined when you read the statute. Each of these rain drops is a fact. The use of facilities during business hours, which would, of course, include the use of the time of the individuals, would more closely approach an expenditure if it were in support of, say, just a single federal candidate.

However, if the affair is held after working hours, and both opposing candidates are invited, the argument that this is strictly a political education program on a nonpartisan basis is much more firmly based.

Can a businessman urge his employees to contribute to political groups? Can he urge them to take part in political activities?

Yes, as an individual. There is no doubt about that.

To what extent can a businessman make his personnel, say a speech writer, or an adviser or consultant, available to a political party or to a candidate?

As long as the individual would at the same time be drawing his salary or pay from the corporation, this would constitute a technical violation, because it would be in the nature of a contribution or expenditure in behalf of a federal candidate.

If, however, the individual takes a leave of absence, receives no com-

(continued on page 57)

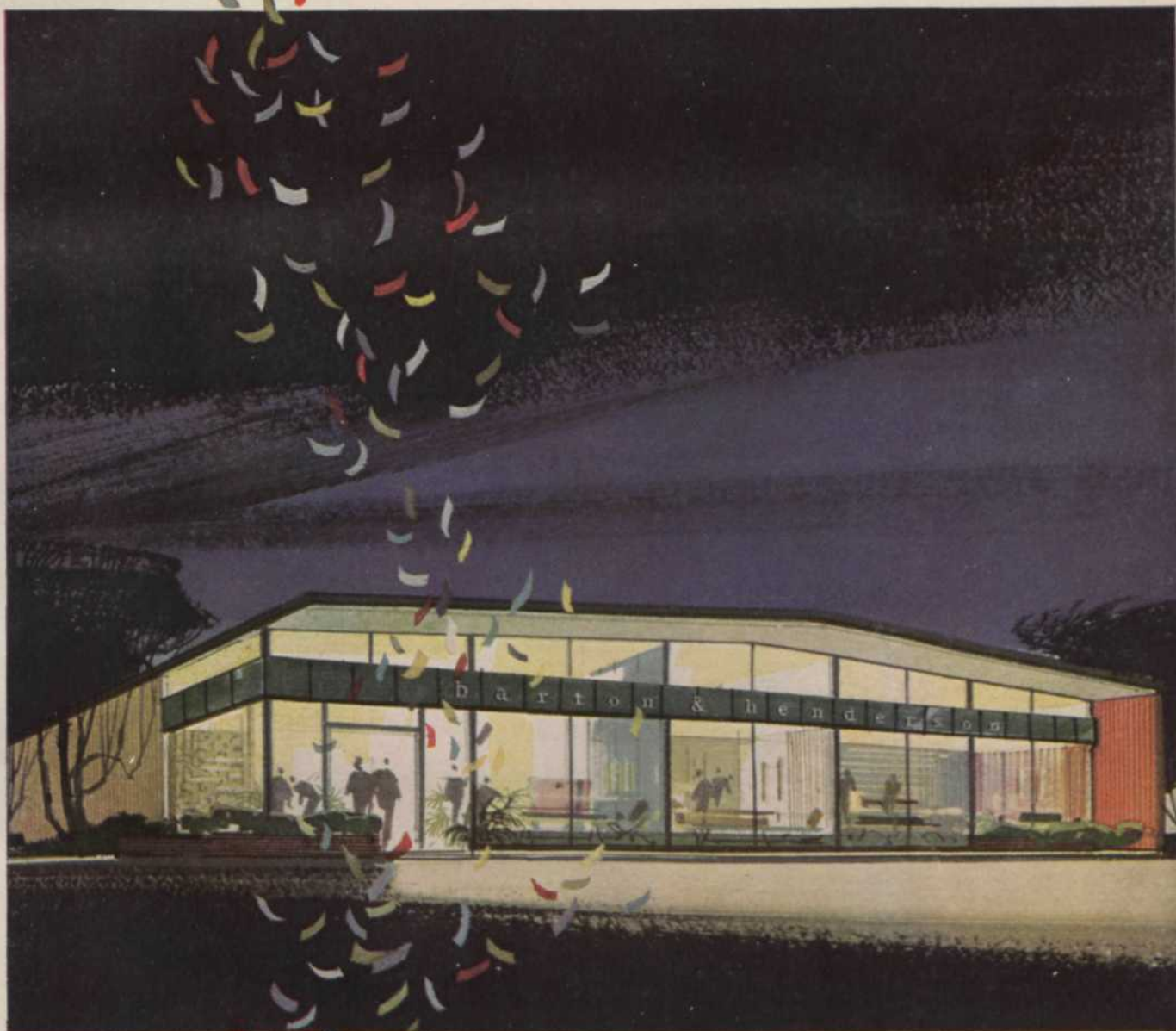


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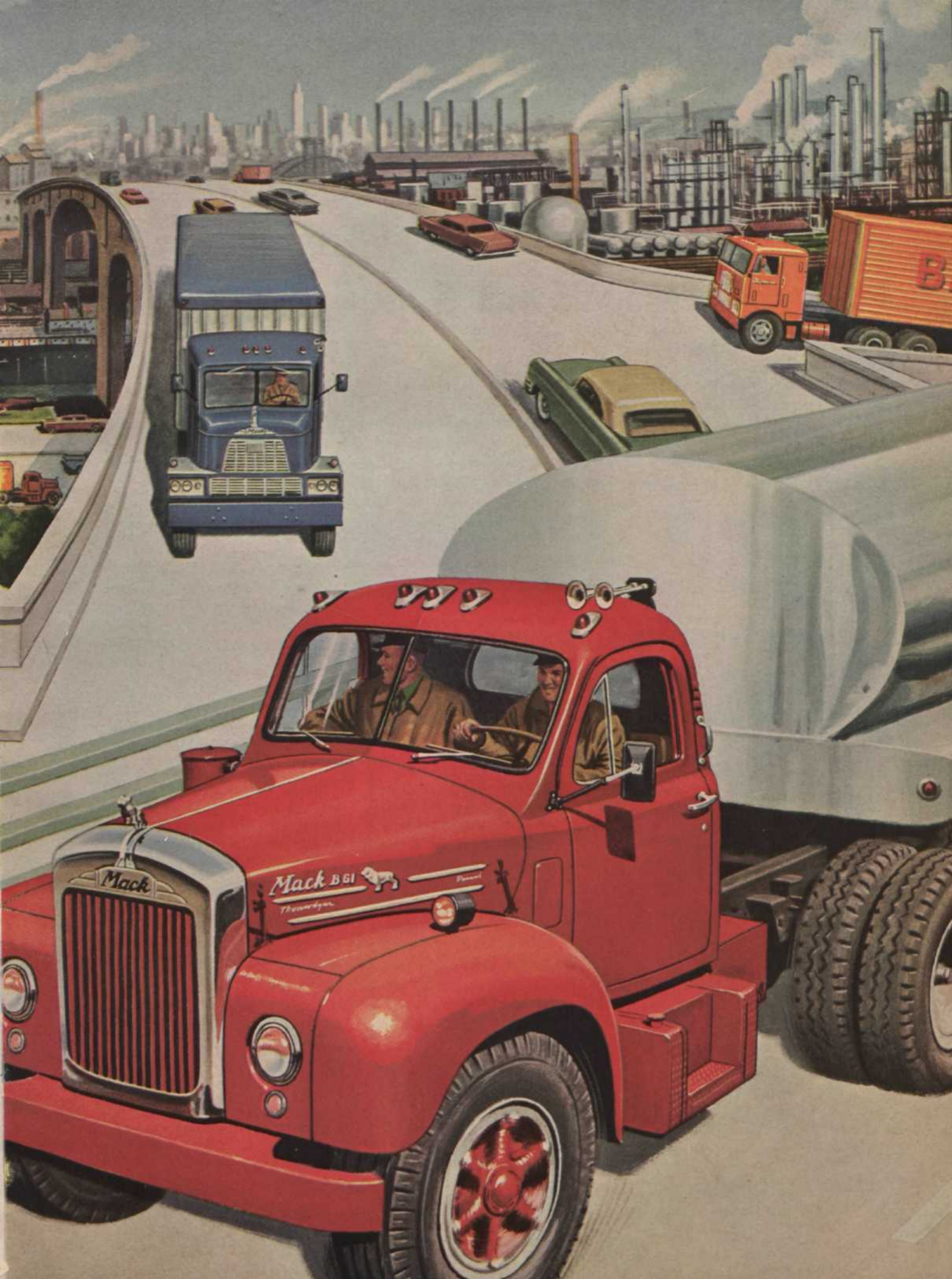


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## POLITICS

continued

pany pay, acts as an individual, the law would not restrain him.

How about an employee who is a candidate himself? Can you give him time off and continue his pay while he campaigns for election?

If he is campaigning for election to federal office, the answer would definitely be no. If he is a candidate for state office, the Act would not apply.

Then the businessman himself who wishes to seek a federal office would have to divorce himself from the company to the extent of not accepting company pay while he is a candidate?

That is correct. Or else the company would risk the provisions of the statute which would seem to indicate that a contribution to a federal candidate in an election was being made.

Then, if the president of a manufacturing company wishes to run for office, he has to get off the payroll? He cannot run and be a company official at the same time?

No, I wouldn't say that. I would say that none of his time for which the corporation is paying him can be devoted to his campaign. If he were to take a leave of absence from the corporation and were not in any way being compensated by the corporation during the time he was making his personal campaign, I would see no prohibition.

However, if a man is a candidate for federal office—that is, an officer of a corporation is a candidate for a federal office—and is still on the payroll of the corporation, yet day by day carries on his campaign activities, even though he puts in an hour or so with the corporation, it could readily be construed that his being carried by the corporation for not performing the rest of his work each day is in the nature of an expenditure to his candidacy or to his campaign.

Does this apply equally to the individual who is an officer of a labor union?

In an analogous fact situation where he would be paid by the union for doing union work, and during that period would be carrying on his personal campaign for federal office, the same provisions would apply.

Can a union hire radio time, or sponsor a radio program during which the

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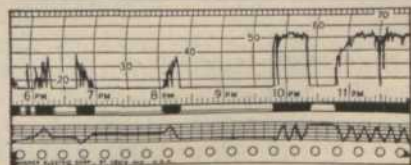
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## POLITICS

*continued*

commercial is used to present its views to the public on candidates or issues?

With respect to its views on issues, the applicability of the statute may not be so clear, but with respect to its views in support of any particular federal candidate we would approach the area of an expenditure in behalf of a federal candidate as opposed to the right of the union under the First Amendment to express its thoughts publicly to other than its own membership.

This particular point has not been decided by any court. In one case the Supreme Court had said that the use of your own organ, published for your own membership to make known your political views, is certainly allowable.

Then the circuit court said this is a small union and probably can't afford the luxury of its own organ, so to get its views known it probably had to resort to means such as paying for spot advertisements on the radio or advertisements in the newspapers.

This, I feel, is quite an extension of the Supreme Court's rationale. There was no appeal to the Supreme Court in the later case, so the Court had no opportunity to say whether its rationale had been correctly followed.

I realize what I have said is round-about; however, the law here is unsettled.

I recently received my gasoline bill. With it was information which made known the fact that the high cost of gasoline is due to the high state and federal taxes on gasoline. The company would like to see these taxes reduced.

This type of information could well go to the membership of a corporation, making known their position on an issue, with no problem of running afoul of the statute.

**Do you think the law needs to be updated?**

The history of the statutes in this field has been rather stormy. Today we are working with laws which had their origin in a 1907 presidential message to Congress.

Perhaps it would help to put this in historic perspective. This was the second time in our history that Congress had taken a really deep and definitive look at our election procedures. The first time was in 1870, right after the adoption of the Fifteenth Amendment to the Constitu-

tion to guarantee the right to vote to all.

In that year, Congress passed the Force bill. This exercised wide supervision over federal elections—penalized interference with the right to vote; proscribed acts constituting election and registration frauds.

This law, however, was repealed in 1894, and regulation of elections again was generally left to the states.

In the campaign of 1896 which immediately followed, approximately \$16 million was spent. The vastness of this expenditure provoked public indignation. That caused demand for reformation.

The basic concept of the statute we have today was included in the President's message in 1907, and in the following years the present law evolved.

**Hasn't the situation changed since then?**

Yes. The problem that was being dealt with then was considerably different. Corporations were feared because, to a large extent, they were controlled by small groups of individuals. The law, it seems to me, was designed to prevent, for instance, a big corporation from running roughshod over the people by buying elections. That, of course, is impossible today.

Since the law was passed we have also had the development of large labor organizations. The character and function of these groups was not envisioned when the initial law was passed. In fact, unions were not included in the original legislation.

Hence, as the legislation was passed through the years, the conditions and the entities that it sought to deal with have changed considerably; the character—that is, the character both of corporations and labor unions—has changed so that they no longer resemble what Congress was attempting to regulate originally.

Today there is much stress on exercising your right as a voter, as a participant in the democratic system, and stress on your responsibility to inform yourself and to be active in politics. This is attributable to the success of political education programs.

But it's up to Congress to determine whether the laws should be changed.

**If the laws were changed, would you expect them to be more liberal or create new restrictions on political activities?**

I think there is a movement to

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## POLITICS

*continued*

liberalize all types of regulations which impinge on the basic constitutional rights of the individual. There perhaps is a real question—if the laws were to be revised—for Congress to debate whether, in the interest of good government and the people, there should be either full and complete regulation of corporate bodies and labor unions, or possibly no regulation of either in the political realm.

This is a matter of legislative function, of course.

### **Have any businessmen or corporations been convicted under the Corrupt Practices Act?**

I can give you the entire history of litigation under the Act because it is not voluminous.

The first prosecution involved a contribution for federal candidates. A large number of brewing companies in Pennsylvania and New York had made contributions to assist and finance the election of these candidates.

The case was decided in 1916 after all the defendants pleaded guilty to the indictment.

In the years 1948 to 1950, some 23 actions were filed in the eastern district of Michigan. These charged incorporated automobile dealers with contributing money to a state political committee for use in the 1946 federal election.

The first two cases that reached trial resulted in not-guilty verdicts. However, the rest of the persons who had been indicted pleaded *nolo contendere*, which the court accepted as tantamount to a plea of guilty. These individuals were all fined.

Of those 23 cases, two were resolved against the government, and 21 were resolved in favor of the government. These all dealt with corporations.

### **What actions have been brought against unions?**

There have been four cases dealing with unions. The first reached the Supreme Court in 1948. It involved political articles in a union publication which was circulated primarily to union members. The matter reached the Supreme Court on the point of whether the statute meant to include this type of publication in the concept of an expenditure in a federal election. The Supreme Court, after going into the matter of First Amendment rights

of free speech, held that this type of expenditure was not covered.

Another case involving a painters local was decided in 1949. It involved an expenditure of \$45 for a radio announcement on behalf of a federal candidate and for advertising space in a newspaper.

Although the district court had convicted, the appellate court felt that this type of expenditure also would come within the area of free speech, since this was a small labor organization that did not have a house organ to circulate its views.

The next case, also resolved against the government, involved a union which was alleged to have made many expenditures to finance the campaign of a congressman.

The court immediately dismissed the bulk of the counts in the indictment, and tried the remaining ones, which were of less significance and weight. A not-guilty verdict was the result of that prosecution. That was in 1951.

The most recent case was decided by the Supreme Court in 1957. It involved the United Automobile Workers.

This involved an expenditure by the union on behalf of a political campaign. The question was whether the First Amendment rights of the union were violated by the terms of this statute. The district court dismissed the indictment, and the government appealed directly to the Supreme Court, which refused to rule on the constitutional issue of the First Amendment claim of the union, but sent the matter back for trial.

On return to the district court for trial, the defendant showed that there had been a convention and a ratification of the expenditures. This resulted in acquittal.

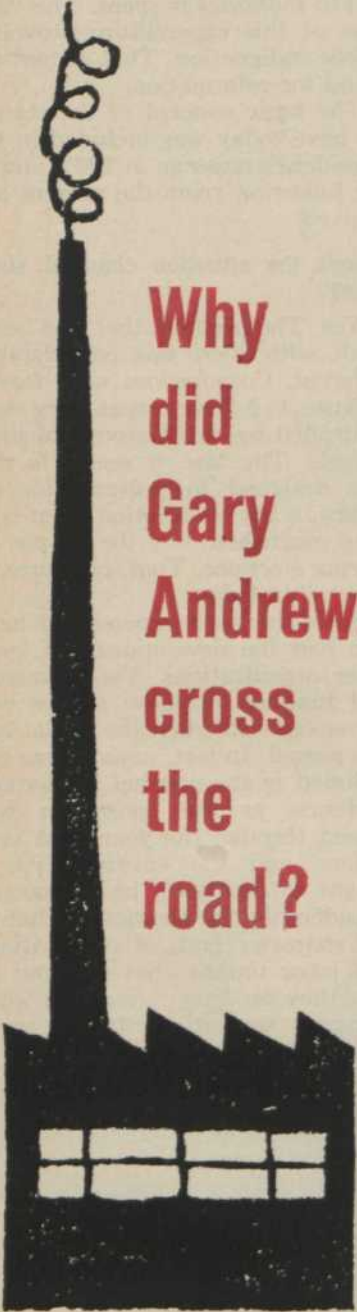
There was one other case involving the Public Utility Holding Company Act. It resulted in the conviction of a man from St. Louis who, on behalf of a registered holding company, was held to have made a contribution in violation of the Act. There was a conviction.

### **Are any cases pending?**

Yes. There is a case pending in St. Louis which involves both contributions and some expenditures. It involves the Teamsters Union there.

We have an indictment in Alaska for expenditures for a television program in support of political candidates. Moreover, an indictment has been obtained in West Virginia charging an illegal campaign con-

*(continued on page 74)*



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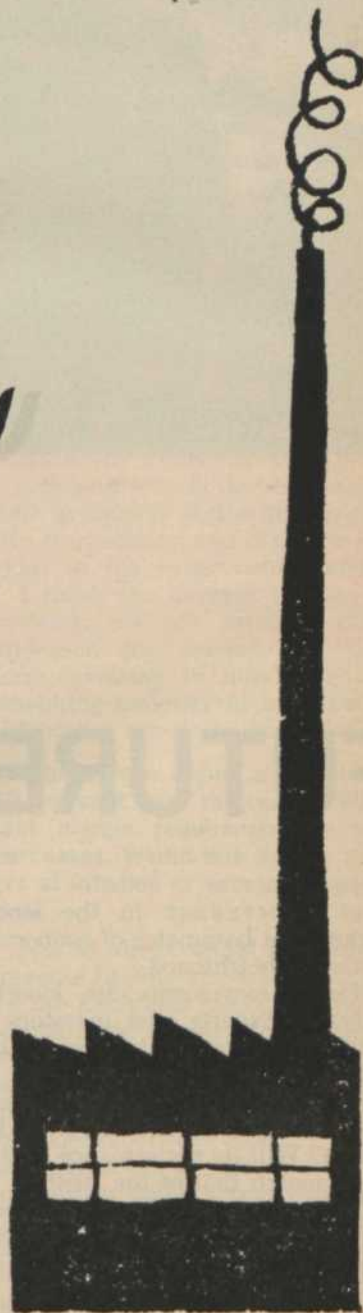
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A Nation's Business interview with **KEITH FUNSTON**,  
President of the New York Stock Exchange, who forecasts . . .

# FUTURE FOR INVESTORS

PUBLIC INTEREST in the stock market as a barometer of economic trends has heightened.

Market movements are closely analyzed. Experts offer investors a bewildering array of theories on the market's course.

Just how well can you forecast the economy from the market's direction? Will its performance in the 1960's match that of the 1950's?

To get a knowledgeable assessment, NATION'S BUSINESS interviewed Keith Funston, president of the New York Stock Exchange.

Here are Mr. Funston's answers:

**How will the market's performance in the 1960's compare with the 1950's?**

As measured by the averages, which are not a definitive guide by any means, the market in the 1950's advanced quite a bit. Whether that

same increase can be achieved on the higher base in the next ten years is problematical.

In general, the market level will continue to depend on what happens to the dividends and earnings of individual companies whose common stocks or bonds you buy, and how the public appraises their future earnings and dividends.

I think that generally in the next ten years, providing we handle our economic problems intelligently and barring a wartime catastrophe, we ought to have a prosperous period. As for individual stocks, that depends both on the public and the fortunes of individual companies. At the first of this year, some 30 per cent of the stocks on our Exchange were selling for less than they were at the peaks in 1946, which not many people realize. This

underscores the importance of investors concentrating on individual issues and not the averages.

**What kind of economic indicator is the market? Does it lead or follow economic trends?**

If you look back over history you will see that a good part of the time the market was leading, a good part of the time it was following, and the rest of the time it was moving parallel with economic developments. There is a great deal of debate as to whether it is a thermometer which takes the economy's present temperature or a barometer that tells you what is likely to happen in the future.

Early this year the market declined more than business did. On the other hand, a year ago, when our gross national product was some



10 per cent under where it is now, the market was at about the same level that it is today. So in 1959, business improved much more than the market did. But the market has gone down more than business has declined since the first of the year.

**Did the feeling that the threat of inflation is less serious cause the decline?**

It is hard to assess the impact of any one factor on the market. I think the feeling has been growing, especially since it was announced that we might have a substantial budget surplus for the fiscal year beginning July 1, that there is less of an inflationary threat.

I think this has had a definite impact on the market. By way of contrast, two or three years ago, the announcement that we were going to have a large budget deficit was regarded as inflationary and the market took off.

**Some months ago you pointed out that a continuation of the recent rate of increase in the number of share holders would result in about 18 million stock owners by the mid-1960's, compared with about 12.5 million now. Do you expect that to happen?**

Whether we will achieve this growth or not depends on how intelligent we are in running the economy and continuing to provide incentives for savings and risk-taking. I think a continued expansion in share ownership is a goal that we can achieve if we keep our eye on the ball, provide incentives for savers, and readjust our tax laws so investors will be encouraged to risk their capital.

**How do you calculate the number of people who own stock? Do they include those who own shares in mutual funds rather than stock in specific companies?**

Yes, the 12.5 million estimate of the number of share owners in publicly owned corporations as of January, 1959, did include those who owned mutual funds. We get this figure by taking all the stockholders of record of all the companies listed on this and other exchanges and the publicly owned companies in the over-the-counter market. Thus, we get a total figure of stockholders of record.

Then, through a complicated analysis of segments of stockholder lists, we obtain a figure which shows the duplication factor, that is the num-

ber of stocks that the average person owns. The duplication factor is divided into the total number of stockholders of record and we get the number of individual stockholders. In addition, of course, there are about 100 million indirect owners who have invested their funds in insurance companies, pension funds, mutual savings banks, and other financial institutions which in turn invest in stocks.

**Would a better understanding of economics result in more people investing in the market?**

Without any doubt. Our research in the past shows clearly that the educational level of the population and investment participation increase together. People are naturally reluctant to participate in something unless they know what it is all about.

We find, for example, that the essential problem of the Stock Exchange lies in describing the Exchange's role and the investment process in terms people understand.

The function of the Exchange, of course, is to provide facilities where the public can buy or sell securities. The Exchange owns no stock. We don't buy or sell stock. Individuals or institutions which own stock use our facilities to buy or sell to other individuals or institutions. By centralizing all the bids and offers for securities in one place, we enable the public to get the best price possible for their stock, whether they want to buy or sell. This makes it possible for American industries to raise the money, through stocks and bonds, which they can use to finance their future growth.

**What general guidelines would you give people who are thinking about investing in stocks?**

First, one ought to be just as careful about investing money as one is about any purchase. People usually are meticulous in shopping around for an automobile or a refrigerator but too often when it comes to investing, they invest money with a minimum of study and investigation.

A person ought to know what he is doing and make a careful study of particular securities before he invests any money. One way to do that, of course, is to get sound advice from a reputable broker in whom you have confidence.

You must tailor your investment risk to your capacity to bear it.

You must determine what your investment objectives are. This would lead you to decide whether you feel that you ought to buy bonds or stocks. And there are many people, of course, who should invest in neither and would be better off and happier with their money in a savings account.

We believe that, before a person buys common stocks, he ought to have an emergency fund set aside in the form of a savings account or maybe some bonds so in time of emergency he won't have to sell his stocks.

Another thing, you shouldn't invest money unless you are sure your income will be above your expenditures. You don't want to buy securities today and then have to sell them tomorrow to meet living expenses.

**What are the advantages and disadvantages of long-term investment against short-term trading?**

Short-term trading is for the sophisticated, knowledgeable person—a person who is devoting a good deal of time to following his security transactions and is able to keep close to his investment situation.

I think the average person, and certainly the new investor, should approach the market with long-term investing in mind. An overwhelming majority of investors, incidentally, are doing just that.

**You have been urging a reduction to 50 per cent from the current 90 per cent margin requirement on stock purchases. Would this involve a danger of inflation or excessive speculation?**

Not at all. It would probably increase buying and selling activity on the Exchange somewhat. But we would have a more liquid market, which means a market that would be able to handle a larger volume of transactions with minimum price variations between sales. I believe that, in point of fact, a reduction in margins would actually minimize price swings on the Exchange by bringing a larger supply of stock to market—and this would prove beneficial to all investors.

**What do you think of the move in Congress to require withholding of taxes on dividends?**

I think it is premature. Industry and the Treasury, since last summer, have been engaged in an educational effort to make sure that all



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## INVESTORS

*continued*

dividend income is reported for tax purposes as required by law. I think that Congress should do nothing in the way of withholding legislation until the results of this effort are proved. That won't be possible for another six months at least.

Withholding taxes on dividends would mean a great hardship for millions of people—particularly in the lower and middle-income ranges. Their incomes would be cut while they filed for refunds and waited months for repayment.

Such legislation would increase the Treasury's cost of collecting

### Money's value

hinges on extent of inflation in future years.

Pressures will continue, but may be curbed by wise policies. For assessment of major influences now and in next decade, see article on page 36

taxes because of the enormous amount of extra paperwork involved. It would also put corporations that have to withhold dividend taxes to great expense. I don't think all this is necessary.

**What tax changes would you favor to help investors?**

I would cut the capital gains tax in half. I would cut in half the six-month holding period required for long-term capital gains tax treatment. I would increase the loss allowance from \$1,000 to \$5,000 a year. I would greatly increase relief from the double taxation of dividends. The present \$50 exclusion and four per cent credit is inadequate. I would increase the credit to

at least 20 per cent, as they have in Canada.

I believe we ought to cut the progressive rates of income taxation, because we have to stimulate the incentive for people to save and invest. To provide an increasing standard of living for our increasing population requires the investment of billions of dollars of new money each year. We must invest much more than we have in the past in machines and plant and equipment that will enable a worker to turn out more products and thus keep the unit cost of production down. Then we can have increased production without inflation.

**Do present tax policies tend to discourage investment?**

Without doubt. They tend to discourage both saving and investment. People may say, "Nevertheless we have a lot of saving and we have a lot of investment." That's true, we do, because we are a big country.

The question is, however, do we have enough investment and saving to provide for the tremendous growth that we have to have? I believe we do not under our present tax policy.

Another problem is that our tax policies tend to favor the creation of debt by corporations. That is bad because it saddles companies with high fixed costs and makes them less flexible when business conditions change. Companies are much better off if they raise more of their capital in the form of equity rather than debt.

**What is the general business outlook for the next year?**

I think the prospects are good—again providing that we handle our economic problems intelligently and that there is no outbreak of war.

**Both steel production and automobile sales are below expectations. Do you regard these as trouble areas?**

We have in this country a peculiar failing: We assume that only the greatest is normal. The auto business and steel business could still be mighty good compared with any past average without reaching the great goals some people had predicted would be achieved this year.

**How long can we go without a dip in business generally?**

I think dips and elevations in business are par for the course. They are going on all the time in many different lines and not always at the same time. I don't foresee a serious, widespread decline. **END**





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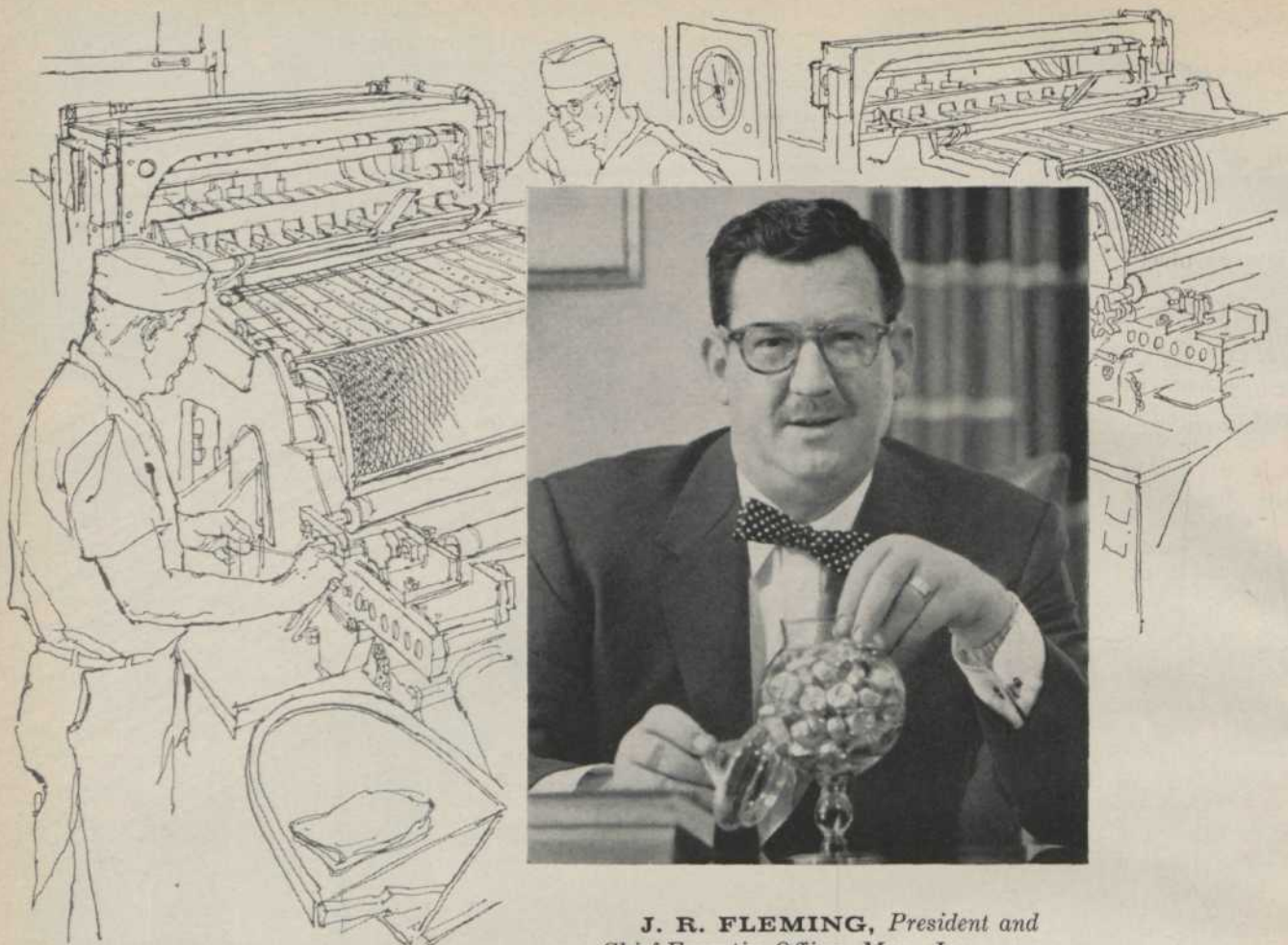
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**J. R. FLEMING**, *President and  
Chief Executive Officer, Mars, Inc., says...*

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## WORKERS ATTACK

continued from page 21

Hartley, and involved support payments to the union by nonunion employees who, in return, were entitled to union benefits. The other, although made under the Taft-Hartley law, involved a different situation.

General Motors cites these points to support its position:

Taft-Hartley protects a worker's right to refrain from union activity as well as to engage in it.

It also prohibits an employer from encouraging union membership, with one exception: He may agree with a union to require his employees to become union members as a condition of employment. He may not, however, require membership in any state which forbids such compulsion.

The exception to the prohibition against encouraging union membership refers only to requiring union membership and does not include the encouragement of union membership through the forced payment of the equivalent of dues.

The UAW admits that nonmembers who paid the equivalent of initiation fee and dues, as the union is demanding, would not receive any of the rights, privileges and benefits which UAW members get.

They could not, for example, participate in union meetings, vote on ratification of their labor contract, receive the union newspaper free, get strike benefits when on strike, share in the union's educational fund, or receive any other union benefits.

The availability of these privileges and benefits, at no extra cost, would encourage employees who are paying the equivalent of dues anyhow to join the union, and this would violate Taft-Hartley, General Motors contends.

This is the situation in each of the 19 right-to-work states with respect to the agency shop:

- ▶ Agency shop specifically forbidden by right-to-work law—Alabama, Arkansas, Georgia, Iowa, Louisiana, Mississippi, North Carolina, Tennessee, Utah and Virginia.
- ▶ Forbidden by other law—Texas.
- ▶ Forbidden by rulings—Arizona, Nevada and South Dakota.
- ▶ Agency shop held not enforceable (although not illegal)—Nebraska and North Dakota.
- ▶ Agency shop legal—Indiana.
- ▶ Decision pending in court—Kansas.
- ▶ Not tested—Florida.

END



**J. R. FLEMING**, President and Chief Executive Officer, Mars, Inc., says ...

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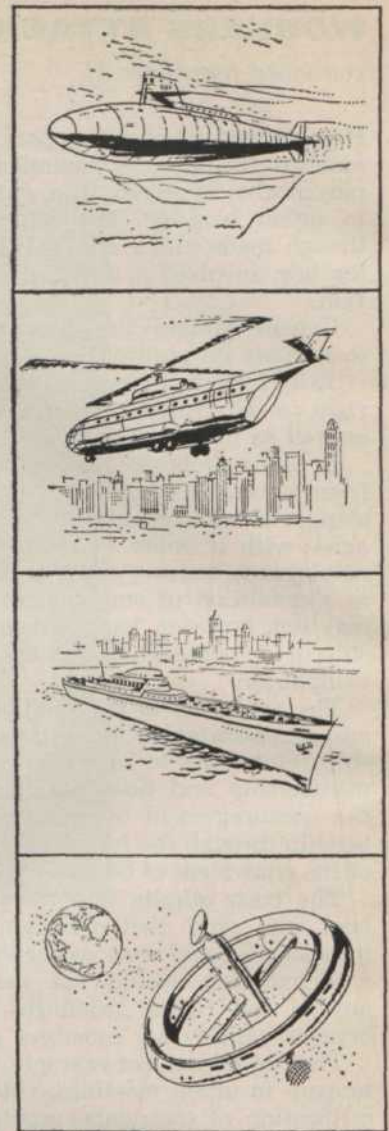
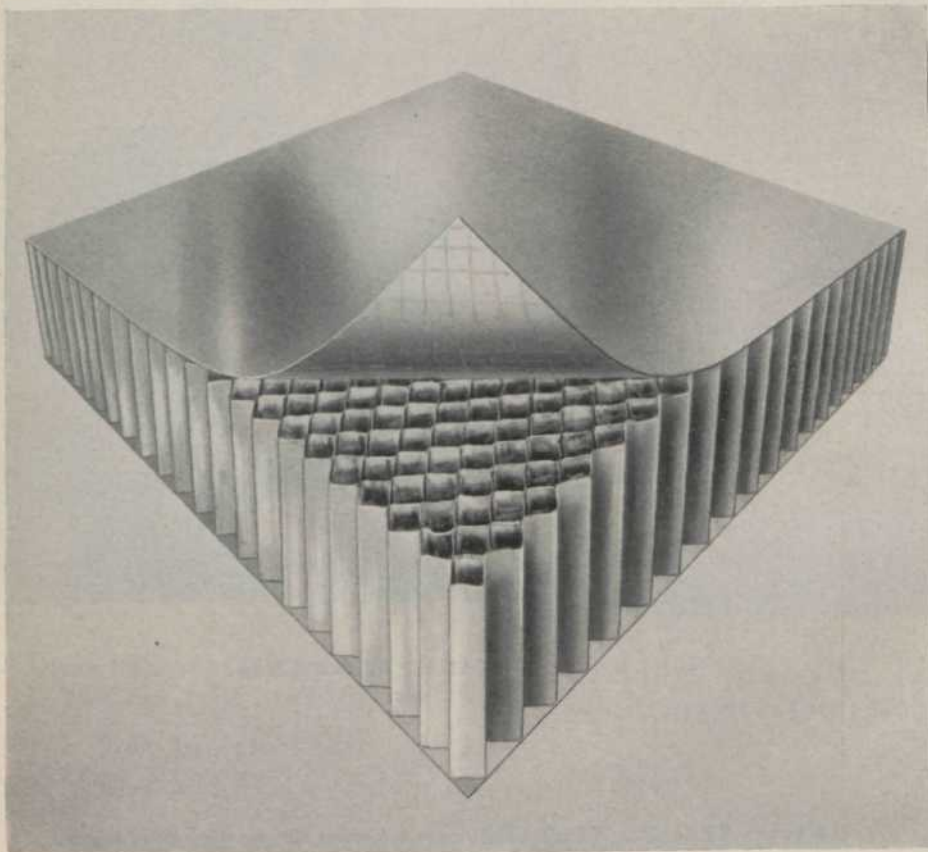
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The "sandwich of steel" is able to withstand great temperatures for prolonged periods — six times that of aluminum, for example. It can cope with sonic and acoustical environments impossible for conventional structures.

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## SPECIAL LETTER

### NATION'S BUSINESS EDITORS REPORT ON: Red trade invasion

COMMUNIST TRADE INVASION of our hemisphere will intensify importantly in months ahead.

Planned: Spectacular drive to subvert key Latin American economies, tie economic dependence to Soviet nations where possible.

This means: Changing conditions, new challenges for U. S. businessmen doing business with Latin Americans. Means, too, that problems will grow for U. S. government--which spends tax money to aid Latin development.

\* \* \*

WHY ARE REDS AIMING economic guns at our hemisphere? Because it's an area where effort could pay off fast. No region is in process of greater economic change, has greater chance for more rapid expansion. Example: Food production could be multiplied fivefold if modern methods were employed.

Reds know of this bright future, want to impress other parts of the world by taking credit--if they can--for coming economic advancements.

\* \* \*

WHAT LATIN AMERICA MEANS to U. S. business is this: Region is buying an average of nearly \$300 million worth of merchandise a month from us. That means they're buying \$1 of goods for every \$3.56 we sell to all others.

But that's not all. Latin Americans pay \$225 million a year to U.S. companies for services of many kinds...engineering, insurance, royalties, advertising, etc., and \$290 million a year for transportation.

Inside U. S., Latin travelers spend \$275 million a year. Investments in Latin America pay us about \$750 million a year.

All together: We are paid about \$5.1 billion a year for goods, services, travel, etc. Compares with \$18.2 billion we get from all other countries.

Is U. S. bleeding Latin America? That's communist charge. But it's not true. Commerce is two-way street. We're buying an average of \$310 million worth of goods a month from them. That's equal to \$1 for every \$3.12 we



## SPECIAL LETTER: RED TRADE INVASION

spend with all other nations. Other money flows from U. S. into Latin nations. Example: U. S. citizens touring for pleasure, business reasons spend close to \$440 million a year.

All together: We pay republics about \$500 million a year more than we get from them.

Private investments make jobs, spur economic growth. We have \$9 billion invested there in plant, equipment...new investment pouring in at annual rate of about \$600 million. That creates average of 900 new jobs a week.

U. S. firms in Latin America already provide jobs for 625,000 workers.

About three quarters of gross revenues of U. S. companies there is paid out in Latin America for taxes, wages, materials costs. Taxes paid by U. S. firms provide 15 per cent of all government revenues.

U. S. tax money also aids Latin growth. Example: Export-Import Bank has loaned more than \$2.5 billion in past 10 years.

Other tax money flows south through Development Loan Fund, International Cooperation Administration, other agencies.

\* \* \*

THESE ARE TARGETS Reds are hitting first:

Cuba--First Soviet Deputy Premier Mikoyan journeys to Cuba, agrees to supply oil, wheat, pig iron, rolled steel, fertilizer, aluminum, newsprint, sulphur, machinery. Big Red will buy five million tons of sugar by '64.

Argentina--Russia agrees to supply \$100 million credit at 2½ per cent for purchase of oil, railroad, roadbuilding, electrical equipment, machinery.

Brazil--Russia signs \$214 million trade agreement, will exchange machinery, oil, wheat, for coffee.

Other prime targets Reds want: Uruguay, Chile, Central American states.

\* \* \*

PROSPECTS FOR SUCCESS? Slim--over all. Reds don't really expect to wreck our trade arrangements fully. They expect to frustrate key areas of commerce as they have in other regions.

Watch specifically for communists to concentrate on oil industry, farm machinery. Next U. S. setback is likely to come in Argentina, Brazil.

Soviets have 75 technicians in Latin America now. They expect to have hundreds there by next Christmas.



CONTROL



Paul DeKoning, President, Jantzen Inc.

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JANTZEN'S NEW SYSTEM SHOWS SAVINGS IN TIME AND MONEY

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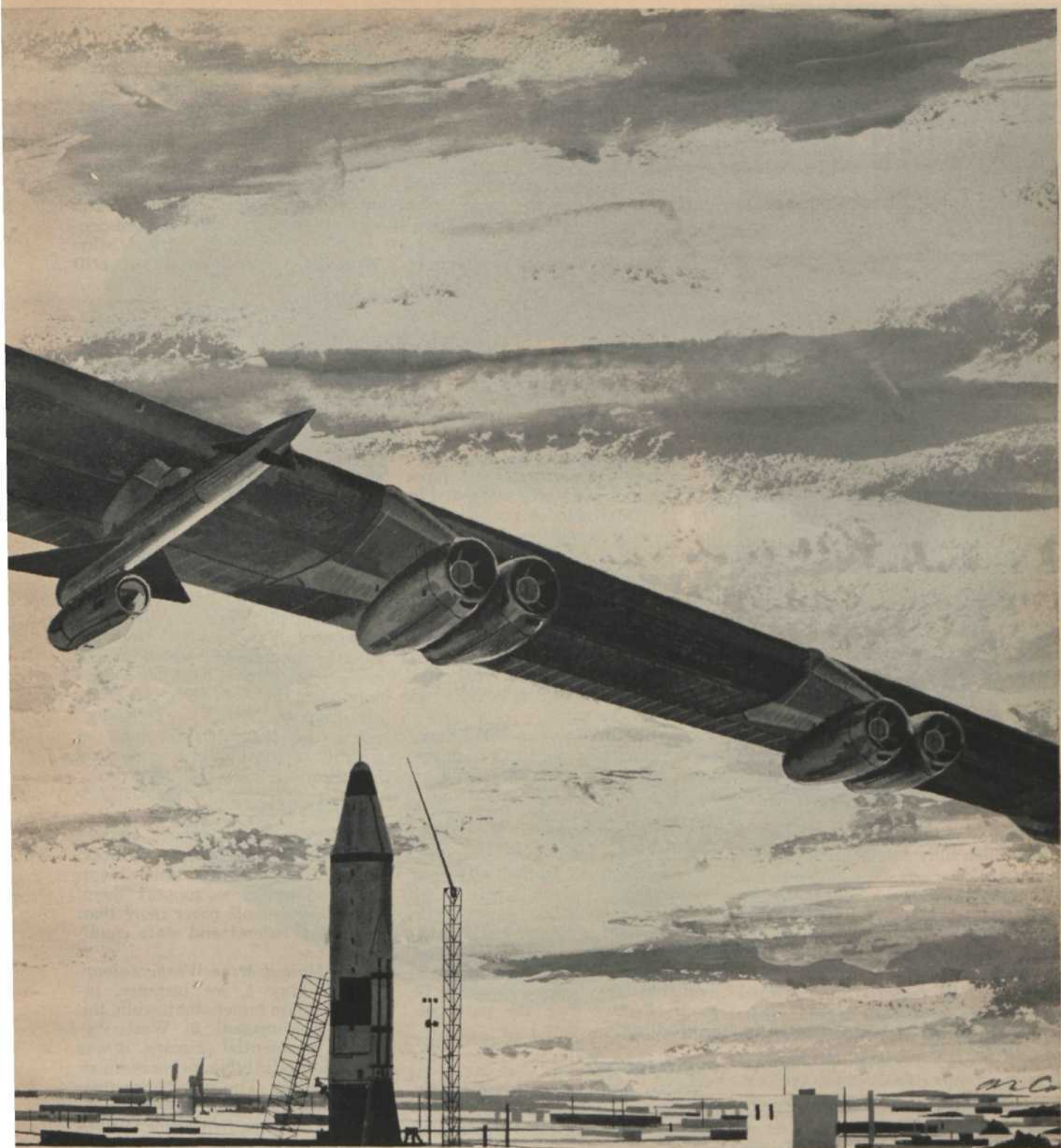
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In this thermonuclear age, our mixed retaliatory power must be more resourceful, more versatile than ever before.





It must be capable of striking back with a retaliation so devastating that no potential enemy would dare aggression. In short, we must have the power of *total retaliation*—plus the swift, all-round capability to meet any threat to world peace, anywhere, anytime.

To maintain this effective force for peace, we must have *in being* a careful balance of weapon systems. Missiles alone cannot provide for the full spectrum of military action to meet any situation. Some victories are achieved only by the unique abilities of man. Man alone has the ability to reason, think, exercise judgment, observe, make spot decisions. Only a man can investigate, report, and return.

And most significantly, only a manned weapon system can be put into instant action yet still be recalled before the final commitment to strike.

This is why the Mach 3 B-70 is being developed—to assure America of a secure retaliatory force in the future. And with this force rests our hope for a durable peace. For this is the only way the Free World can truly win: not by waging a third world war—but by preventing it.

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# Friden

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## POLITICS

continued from page 60

tribution by a local of the International Hod Carriers Union and five of its officials. The case is presently awaiting trial.

There have been two recent prosecutions involving the prohibition against anonymous campaign literature. Awaiting trial in Arizona is a case involving two persons who were

indicted for circulating a picture of Joseph Stalin with a caption suggesting that Stalin would be grateful if the voters would vote for Sen. Barry Goldwater. And an indictment was obtained and a case tried in the District of Columbia involving a counterfeit copy of the *United Mine Workers Journal* which was circulated in West Virginia around election day, and which did not contain the views of the United Mine Workers. **END**

## POLITICS: What unions do —and businessmen don't

BUSINESS ORGANIZATIONS have just begun to get really interested in the practical side of politics. Unions have been politically active for years.

The fact is that business is far behind the unions in political activity. Even though federal law restricting political expenditures applies equally to corporations and unions, there are big and important differences between business and union programs.

Corporations are not doing many of the things in politics which unions are doing. Here are some of them:

### Political organizations

Unions have set up many political organizations, staffed with paid union officials, which function like any regular political group. (See "Unions Push Biggest Election Campaign," *NATION'S BUSINESS*, May.) With paid help and funds available, they can sometimes be more effective than the party organizations.

### Political funds

Union political groups raise money which they give to favored candidates to help them get elected and use for other direct political activity, such as advertising and radio and television programs.

Additional funds from union treasuries are used for voter registration, election-day workers, political conferences, publishing and distributing voting records and other political literature and many other so-called educational efforts.

Of 184 Democrats in the House of Representatives who voted for the original Landrum-Griffin labor reform bill last year, 115 had received financial assistance from and were

supported by the AFL-CIO Committee on Political Education.

### Voting records

Many of labor's political organizations compile records of how congressmen vote on labor and other legislation of interest to the labor movement. They usually indicate whether the legislator voted "right" or "wrong" (from the union standpoint) on each bill. Depending on his score of "right" and "wrong" votes, the legislator is rated as friendly or unfriendly to organized labor.

### Endorsements

Unions publicly endorse favored candidates, publicize them in union publications, and urge union members and others to support them. The endorsements cover more than the major federal and state candidates.

The *United Mine Workers Journal* for May 1, for instance, informed union miners that, while the union was neutral in West Virginia's presidential primary, it was not neutral in other primary races in that state. The newspaper then listed favored candidates for governor, lieutenant-governor, state legislature, and many local offices, including sheriff, prosecuting attorney and judge.

### Screening

Before deciding on endorsements, it is the practice of union organizations to send questionnaires to all candidates for office asking them how they stand on specific issues. Many of the candidates are invited to appear before a screening committee to clarify their views and commit themselves as to what they would do in given situations. **END**

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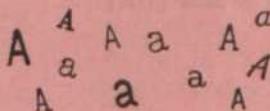
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by Phyllis Fenton

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# YOU CAN BE A BETTER LEADER

Your work with people can be helped by applying these six principles

THE AVERAGE executive spends about 60 per cent of his time in meetings and conferences. This recent survey finding points up the fact that ability to work in and through small groups is one of the most useful skills a manager can have.

Like most management skills, this one has to be developed. Managers who are adept at human relations on a man-to-man basis may be clumsy at working with groups.

Here are six suggestions for improving your performance as leader or member of a business work group. They come from Dr. Gordon L. Lippitt, a professional psychologist who is program director of the National Training Laboratories.

Dr. Lippitt's organization has done pioneering research in group processes for 12 years. Founded in 1947, NTL concentrated initially on training leaders of educational, religious and civic groups. But in recent years managers have constituted a large proportion of its clientele.

To work more effectively in group situations a businessman needs to develop:

1. Awareness of his own impact on a group.
2. Insight into the needs, abilities and reactions of others.
3. Sincere belief in the group approach to problem solving.
4. Understanding of what makes a group tick.
5. Ability to diagnose the ailments of a sick group.
6. Flexibility as a leader or member.

The first two qualities are closely related. Both require what Dr. Lippitt calls sensitivity.

## 1. Awareness

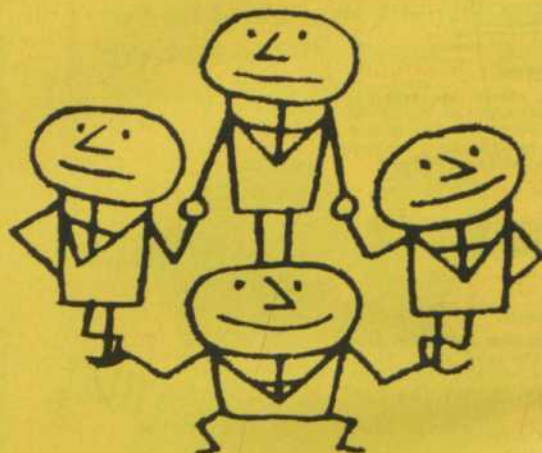
Many people who are alert to human responses in their ordinary business and social contacts become quite insensitive when they are functioning in a group. They plow ahead, intent on their own role or contribution, and never pause to observe the effect of their behavior on the others.

People tend to act this way for at least two different reasons.

Some feel vaguely insecure in a group situation. Their nervousness causes them to develop calluses on their mental antennae which would normally pick up the nuances of response from others. Some are born actors who are so exhilarated by the opportunity to impress several people at once that they can be brought down to earth only by the most blatantly negative reaction from the captive audience.

You probably know already which of these types you are. If not, a little self-analysis should enable you to find out. In either case, the antidote is to make a conscious effort at future meetings to observe how you are acting, how much or how little you are talking, how attentively you are listening when others talk, and how your behavior is affecting the rest of the group.

Unless you are a remarkable fellow, you will probably be surprised at what you learn about yourself when you become a participant-observer rather than merely a participant. You may find, for example,



Handling group requires skill

that the sense of humor which you always considered to be a welcome relief from tension is actually an irritant and a distraction to others. Or you may learn that some of your colleagues regard your habit of doodling as a sign of boredom rather than concentration.

Sensitivity is doubly important if you are leader of the group.

Your status means that your impact on the proceedings, for better or worse, is likely to be greater than anyone else's.

It also means that you are less likely to be told, by any overt word or gesture, when you are rubbing the group the wrong way.

You will have to rely on much subtler forms of feedback—the expression on a man's face, the tone of his voice, the tense or relaxed atmosphere of the



meeting itself, the apathy or enthusiasm which the group exhibits when you call for ideas.

As a group leader, and to only slightly less extent as a member, you need also to recognize the effects of other people's behavior on you. You don't have to like a man in order to work effectively with him in a group, but it is important that you realize that you don't like him—and to differentiate between his personality, which irritates you, and his ideas, which may be extremely valuable.

For example, you may have a violent prejudice against people who chew gum. It is not necessary that you abandon this prejudice if you find yourself in a group that includes an incurable gum chewer. But it is necessary that you recognize the existence of your prejudice and make allowances for it in appraising or responding to a statement which your gum-chewer has made between chomps.

## 2. Insight

Insight into the needs and abilities of others is another form of sensitivity that pays big dividends in group leadership. All human beings share certain basic needs—for affection, acceptance, recognition, a sense of belonging, a sense of achievement.

If an individual finds that some or all of these needs are being satisfied through his participation in a group, he will be an enthusiastic and constructive member. On the other hand, if the group consistently ignores or frustrates his needs, he is likely to become hostile or apathetic.

He may have no idea that these subconscious psychological drives are affecting his group performance. But a sensitive leader can learn to spot the symptoms and take corrective action.

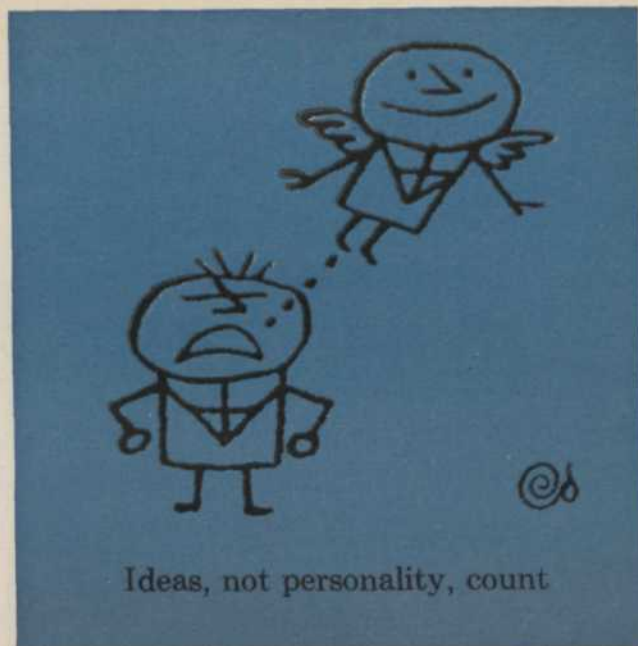
One highly effective way to satisfy an individual member's psychological needs—and at the same time improve the effectiveness of the entire group—is to probe constantly for unexpected abilities.

You call a man into a meeting to serve as an expert on some particular phase of the business that is assigned to him. But if you give him a chance to participate broadly, you may find he has a lot of wisdom to contribute on some entirely different matter. That helps his ego—and adds a valuable human resource to the potential of the group.

## 3. The group approach

Many executives appoint committees, call meetings and go through the motions of consulting others because that is the way they are expected to act. But they never really delegate decision-making powers to any group. They walk into a meeting with their minds made up, and manipulate the group until it arrives at—and rubber stamps—the decision already reached. To such executives, group procedures are a sham—a device for persuading people they are participating when in reality they are not. To use a group in this way is worse than a waste of time. People know when they are being manipulated, and they always resent it.

There may be times when an executive will want to call a group together simply to announce a decision. That is perfectly legitimate provided it is made clear that the meeting was called purely to communicate a decision for which higher management



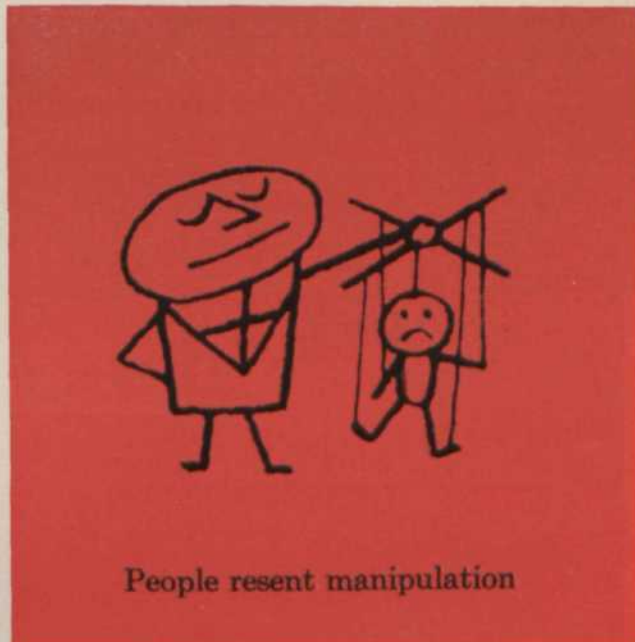
Ideas, not personality, count

accepts full responsibility. But you should never pretend that the group itself is taking part in the decision.

There are also occasions when it is far wiser for a manager to turn a problem over to a group for solution, with no strings attached. Many of the problems that arise in modern business are so complex that no one man, however brilliant, can possibly have all of the expert knowledge required to solve them correctly. The group approach enables you to bring a wide variety of experiences, backgrounds, viewpoints and technical competences to bear on a problem.

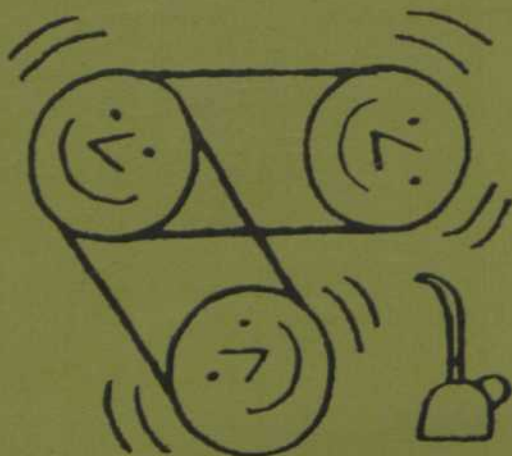
Group procedures also tend to lead to more creative solutions. It is remarkable how many people have their best thoughts when they are stimulated by the thoughts of others.

Another important reason for letting a group solve a problem is that people feel committed to a deci-



People resent manipulation





Know what makes group tick

sion which they have helped to reach. If you must rely on others to implement a decision, you will do well to let them participate genuinely in the decision-making process. Even if you feel compelled to dictate the basic policy, you can usually delegate to an appropriate group the task of working out details of its implementation.

#### 4. Understanding

An understanding of what makes a group tick will enable you to follow several basic rules for releasing the group potential.

The first step is to define clearly the problem about which a decision is to be made. Try to get a single, sharply focused question before the group. More time

is wasted in meetings because of failure to pinpoint the problem than for any other reason.

The next step is to clarify the jurisdiction of the group. How much latitude does it have for reaching a decision? Is it serving merely in an advisory capacity, or is it fully responsible for a binding decision? Uncertainty on these points will cause members to be wary about giving their opinions.

Try to create a relaxed, permissive atmosphere. Let it be known that you want contributions—and candor—from all participants, that no one is there just to listen and nod.

Withhold your own ideas about a solution, if you have any, until late in the session.

If you put them on the table too early, you may give the group the false impression that you have already made up your mind and are merely looking for yes men.

Elicit as many ideas as possible before beginning to evaluate or criticize any particular solution. If you let the evaluation process begin too soon, it will choke off the production of alternative solutions and rivet attention on the first few ideas advanced.

Dissociate ideas from the men who put them forward. Never refer to "Jack's plan" or "Jones' proposal." Keep personalities and personal rivalries out of the picture as far as possible by giving each proposal a neutral designation—"plan A" or "suggestion No. 1."

Don't ask the group to guess when it's possible to get facts. If it is difficult to weigh the relative merits of one or more solutions without further investigation or testing, postpone a decision until a later meeting.

Aim for a consensus of the group, rather than take a vote. A consensus is usually not too hard to obtain if you allow skeptics to record their misgivings, and if you make it clear that the decision will be subject to reevaluation later if necessary.

#### 5. Diagnose the ailments

Sometimes you can impanel a group of highly competent men, follow all of the right procedures, and still the group won't come alive and produce.

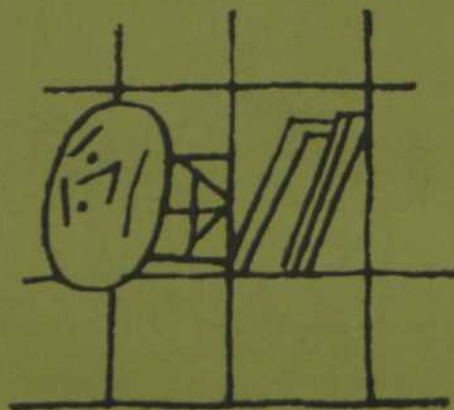
That's when you need diagnostic ability.

If you have developed self-insight and sensitivity toward others you may be able to figure out what's wrong. You don't have to psychoanalyze the members. Just look a little below the surface of their conduct.

Try to detect the unexpressed feelings and motivations that are causing them to fight among themselves or to run from the problem.

Watch for "hidden agendas"—the real interests that a group member is trying to further while professing to talk about the problem at hand. It may be necessary to bring some of these hidden agendas into the open—to lay aside the official problem until you have dealt with the distracting troubles.

Generally, it is best not to rely entirely on your own diagnostic powers, but to enlist the help of the group itself in analyzing its difficulties. A good technique for doing this is to distribute simple mimeographed forms—usually called "post-meeting reports"—to be filled out anonymously by all participants immediately after adjournment. How did you think



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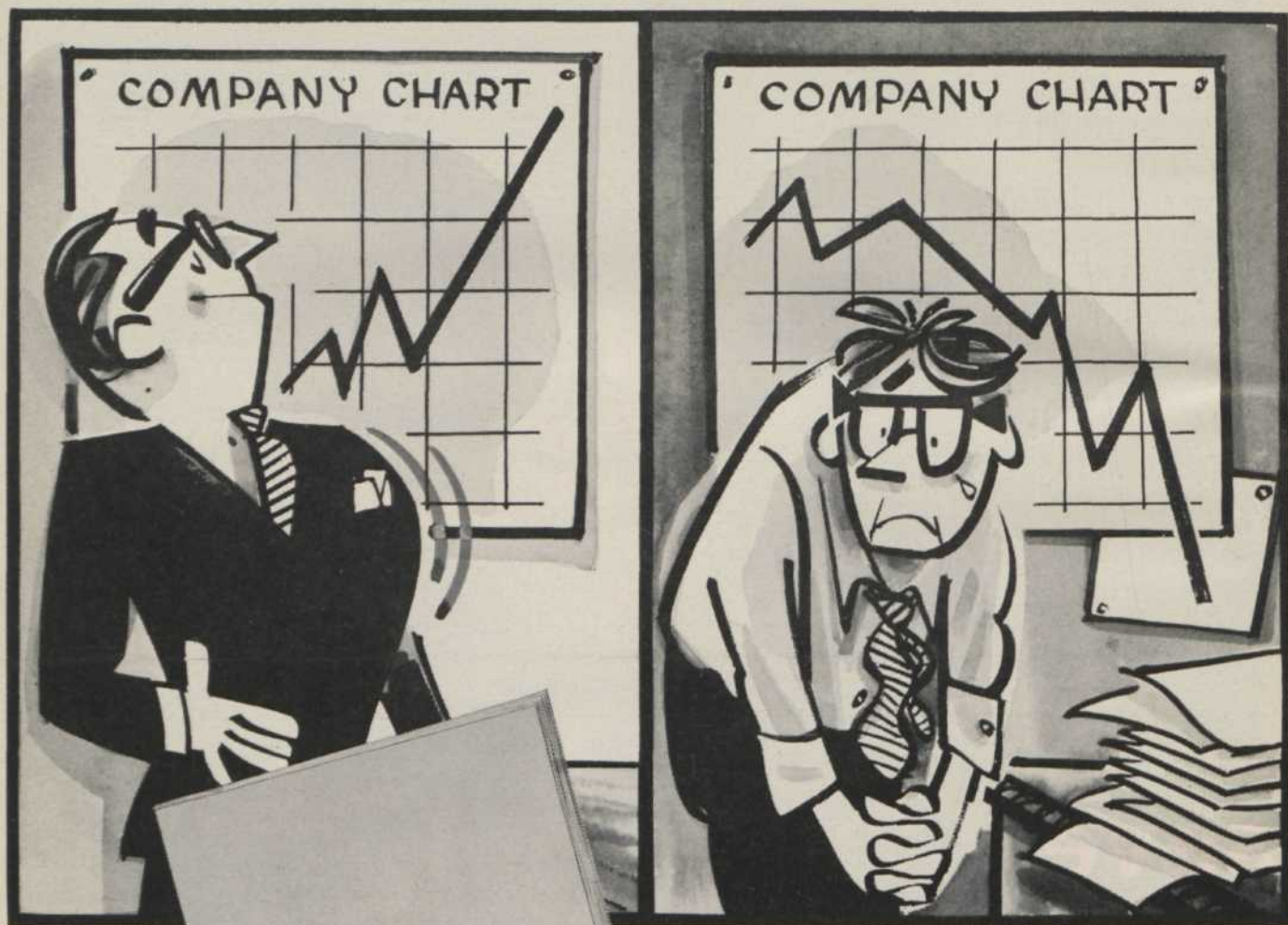
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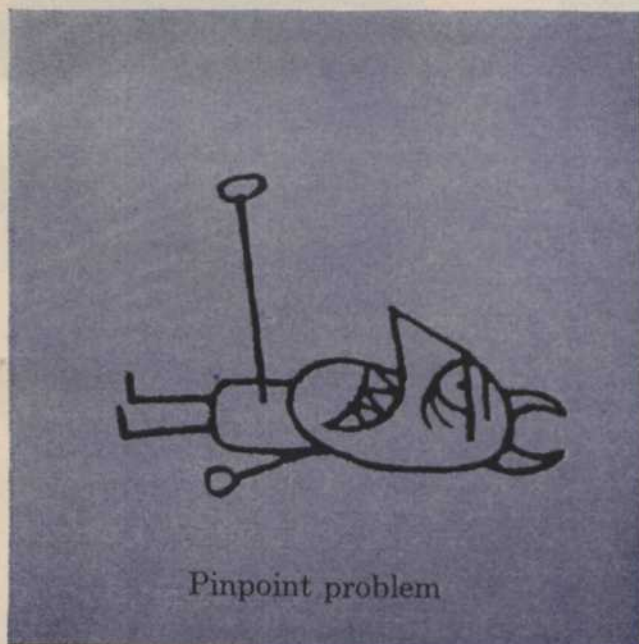
today's meeting went? What did you like best about it? What did you dislike most? What should we do differently next time?

After you have used this blind questionnaire technique a few times, you may find that the members of the group are prepared to do the evaluating out loud at the close of the meeting. When you thus succeed in making a group conscious of its own procedures, and of its own responsibility to criticize and correct its inadequacies, you are on your way to mature and fruitful group activity.

## 6. Flexibility

The final piece of advice to those who have to participate in a large number of group meetings is: Try being flexible.

Many different roles must be played in a group other than leader and member. For example, a group



needs idea givers and idea evaluators; question askers and information providers; critics and supporters; challengers and summarizers; stirrer uppers and peacemakers.

Most people tend unconsciously to cast themselves in the same role or roles at every meeting they attend. But it is much better for the group—and for your relations with the group—if you vary your role from time to time.

Try out a new role and see how you feel about it, and how the others react to it. If you've always been an idea giver, see how well you can function as a supporter, or vice versa. You'll be amazed at how much more you can accomplish in a group through a little versatility.—LOUIS CASSELS

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# COMING: MORE JUSTICE FOR BUSINESS

Congress hunts ways to keep the same agency from acting as prosecutor, judge and jury



IN THE FUTURE, you may have better protection of your rights when you deal with federal agencies.

A special Senate subcommittee is working on proposals now which would help correct a system that often allows the same agency to act as prosecutor, judge and jury.

Under this setup, the businessman suspected of violating any of thousands of regulations is charged by the agency, tried by one of its employees, and often can make no effective appeal except to the agency which issued the charge in the first place.

Changes proposed in the new legislation would provide, at the minimum:

- ▶ Court-like procedure in the agencies' administrative tribunals.
- ▶ Complete separation of the judicial functions from those of rule-making and housekeeping.
- ▶ Rulings based entirely on public record.
- ▶ Broadened right of appeal to the courts.

At most, the bills under consideration would:

- ▶ Set up special courts to take over the judicial functions of several key agencies.
- ▶ Establish an elite corps of federal commissioners,

not tied to individual agencies, to act as hearing officers for the special courts.

More than 120 administrative tribunals daily hand down federal decisions involving the life or death of business enterprises. This power is not reserved for the so-called regulatory agencies, such as the Federal Trade, Communications and Power Commissions. It cuts across practically all government establishments.

The Agriculture Department can revoke a company's license under the Packers and Stockyards Act, putting it out of business. The Pure Food and Drug Administration can order a firm's products destroyed on the ground they're dangerous to health. The Civil Aeronautics Board can ground airliners.

Originally, Congress granted administrative agencies many of these powers to prevent courts, with their concern over Americans' rights, from blocking government attempts to regulate some business practices.

In 1914, for example, the lawmakers decided to set up the FTC with the power to order businessmen to stop unfair practices, instead of making the Justice Department seek a court order in each case. But critics point out that the FTC and other agencies





have broadened their powers far beyond what Congress intended.

The Senate authorized its Judiciary Committee to set up a subcommittee on administrative practice and procedure to tackle the problem.

Here's the way the present system works:

If FTC investigators decide a company is committing an unfair practice, advertising falsely or getting too big through mergers, they ask the Commission to issue a complaint against the company. The commissioners study the case and decide whether the complaint should be filed.

If the company is cited, an FTC hearing examiner takes written or oral testimony and writes an order directing the company to cease and desist from the attacked practices or unscramble the merger. Or he may dismiss the case.

The Commission itself has the last say. It can accept, reject or change the examiner's decision. Dismissals often are reversed.

Lowell B. Mason, a former FTC member, argues that it is not only wrong for prosecutors to act as judges, but that many Commission members have frequently paid no attention to the evidence.

The chance of getting a Commission decision over-

turned on appeal to the courts is slim. The courts cannot decide whether the Commission reached the right verdict. They can rule only on whether the Commission met the legal requirement of basing its decision on substantial evidence.

A bill by Sen. Sam J. Ervin, Jr., North Carolina Democrat, would set out detailed instructions to insure that agencies carried out their judicial functions with all the safeguards for defendants' rights provided in court. It would prohibit any contact between officials who would judge a case and employees who took part in preparing or prosecuting it.

At present, when an examiner decides the Commission's prosecutors have failed to prove a case, the Commission frequently sends it right back to him to hear more evidence or retries the case itself.

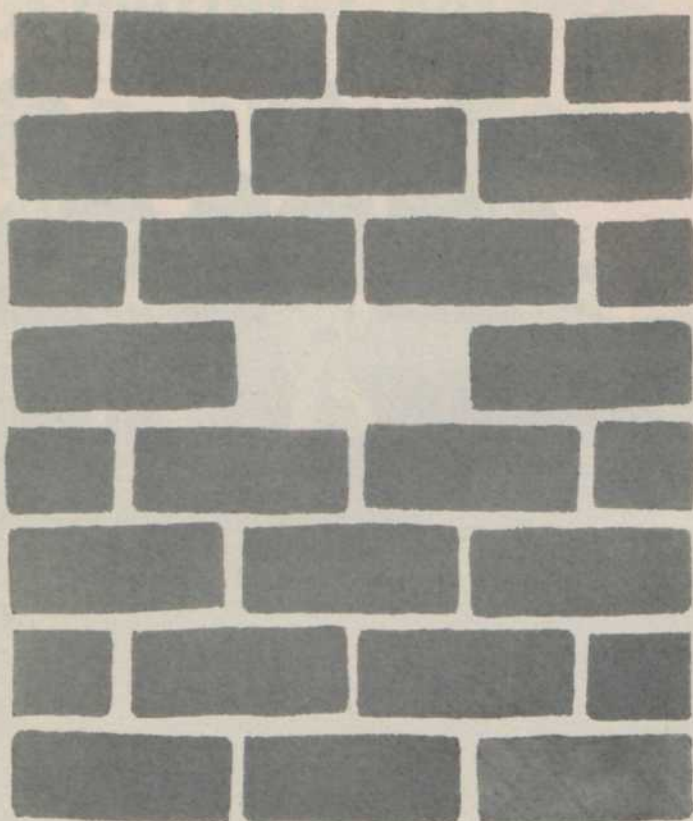
Take the FTC's false advertising charges against a San Francisco company in 1954.

Examiner Abner E. Lipscomb heard more than 100 witnesses and decided in April, 1956, that the FTC staff had failed to prove its charges. But the Commission ordered him to seek more scientific tests.

Once again, Mr. Lipscomb held hearings. Experts differed. Again the examiner concluded:

"We recognize that the evidence supporting the





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## MORE JUSTICE

*continued*

complaint is too much at variance with itself. . . . The burden of proof has not been sustained."

The Commission, however, disagreed. "The record contains reliable, probative and substantial evidence," it ruled, and issued an order against the company.

But a final decision is still in the future. The company has taken the case to the Circuit Court of Appeals.

The Ervin bill has the backing of the American Bar Association, which has been urging reform of the administrative tribunals for many years. The ABA wants Congress to go further and set up special courts to sit in judgment on Commission complaints.

Establishment of special courts to take over decisions would leave the Commission free to set the policies for which it is responsible and to concentrate on prosecution of violators in the special courts. Already, observers note, the administrative agencies, through rule-making, have established many more laws than Congress. The courts would still be bound to decide whether businessmen were abiding by these rules, so long as they were within the agency's specific authority from Congress.

But the court would not be in the dual role of rule-maker and rule-enforcer.

Missouri's Democratic Sen. Thomas C. Hennings, Jr., has introduced bills that would establish a trade court to handle cases under the Clayton Antitrust Act, the FTC Act, the Civil Aeronautics Act, Packers and Stockyards Act and various labeling laws.

Under these bills, commissioners appointed by the trade court would take over the present duties of hearing examiners attached to the administrative agencies. The court would review their findings and its decisions could be taken, on the record, to the regular circuit courts of appeal.

Opponents argue that the new commissioners and the special court would not be expert enough to judge the cases properly. Supporters counter that the general run of commission members today are clearly inexperienced. He notes that the Securities and Exchange Commission has had 15 chairmen in 25 years, and contrast the four-year average tenure of present FTC members with the average of 20 years for judges sitting on the courts.

**END**

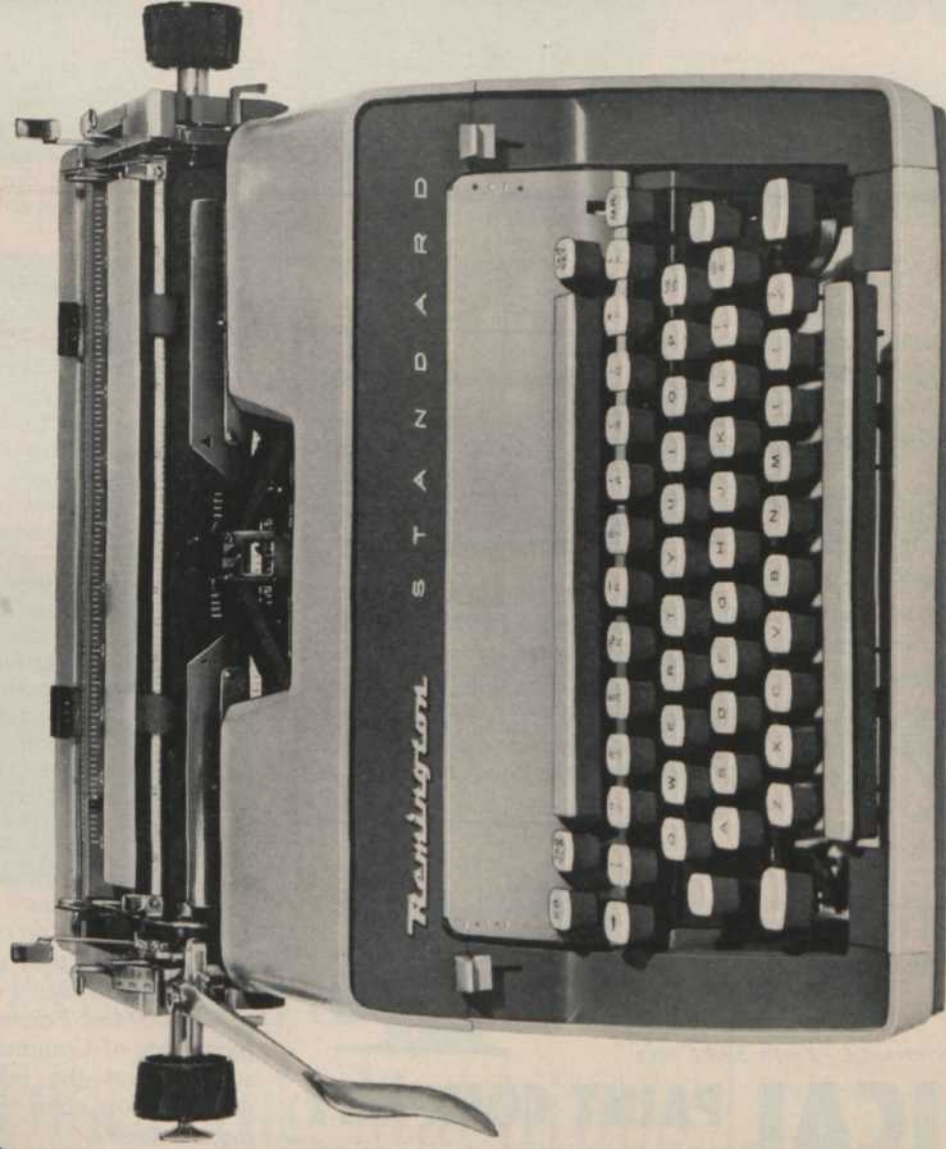


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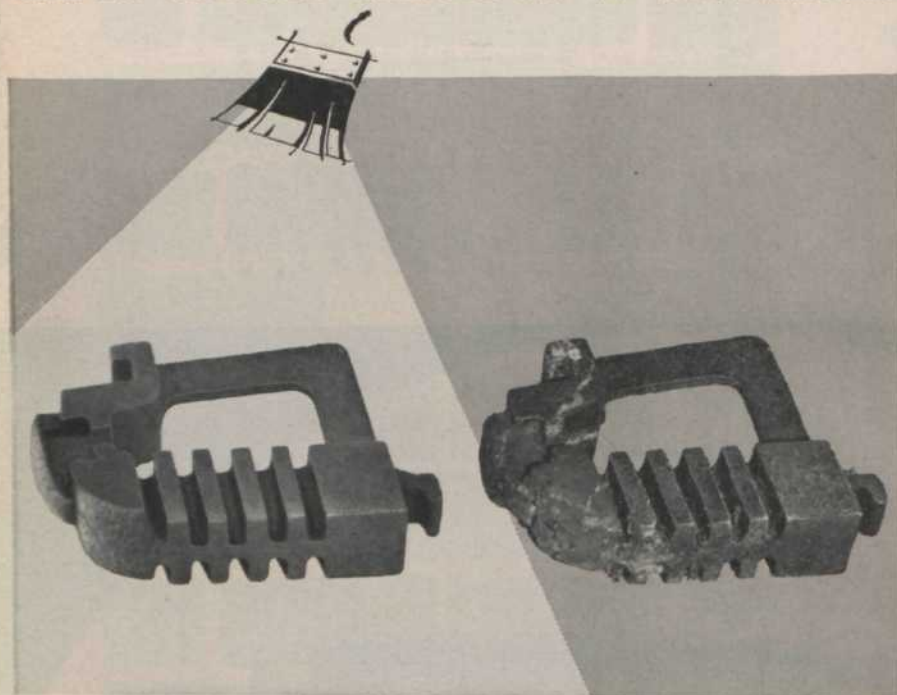
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## INFLATION

*continued from page 37*

Will dollar-destroying inflation hang over the 1960's as it did most of the decade of the 1950's?

Many studies indicate that living standards can grow faster in the 1960's than they grew in the 1950's—by five per cent or so a year. Such a rate of growth will again bring inflation unless capacity is allowed to expand as fast as demand. It is necessary that profits support an investment program which will expand capacity by five per cent a year, if demand grows by that amount.

It is possible to expand capacity too fast and cause deflation, but the prospect and danger of inflation is far greater than deflation.

Of course, demand still will be high relative to capacity in some areas. The development of new products and services will cause this. It will push up specific costs and prices. If the industries which are in a well-balanced position or in which supply exceeds demand are able to cut their prices, inflationary pressures during the 1960's could be less severe than in the 1950's.

Employers have granted wage increases above justifiable levels because the demand for goods and services was so great.

But it is now becoming evident to management and labor that this is self-defeating, for many reasons. Competition is an important one. If the price of steel gets too high, reinforced concrete takes its place. If the cost of a plastered wall is too high, customers use plaster board or some other material. Competition between industries sooner or later makes reckless action by either management or labor unprofitable.

White-collar salaries will increase with blue-collar wages in the 1960's. But the proportion of white-collar workers in industry should not increase as fast as it has. The shift has already been made to patterns which require large numbers of white-collar workers. Now the growth will be more gradual. This will put pressure on costs but not as much as in the past decade.

Upward pressures on wages may be weaker, too. Forecasts of the Departments of Commerce and Labor suggest that the labor force will grow by more than 18 per cent during the 1960's.

Demands for labor will depend on the technical, administrative and social progress that is made in



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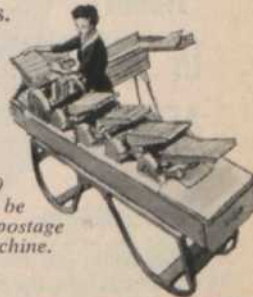
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## INFLATION

continued

the 1960's. Whatever emerges, the ratio of available workers to consumers will rise.

However, the number of workers in the more productive ages, 25-54, will grow less rapidly than in the 1950's.

Employers will have to rely more upon younger, untrained, and older, less adaptable, workers. This may result in wage increase pressure if employers bid for the workers in the more productive ages.

If this happens, wages for younger and older workers will be forced up, too. Wages tend to be set more by patterns than by the capacity to produce. But the absence of a gen-

increase sales enough to reap higher profits.

However, because the general demand-supply position for both labor and goods should be better in the 1960's than in the 1950's, cost increases are less likely to be passed along as price increases. If productive capacity is better used during the 1960's than at the end of the 1950's, overhead costs will be reduced. As the rate of inflation slows down, its impact in increasing depreciation on new investment is reduced.

So the ratio of capital costs to the value of goods and services produced may not increase as fast in this decade.

### What's worked?

The success of the Federal Reserve's monetary policy in checking inflation in recent years has been apparent. The Board has leaned against inflationary pressures by keeping a close rein on the money supply. The chances are small that this policy will be sharply changed.

Competition from abroad will continue to grow. This will increase the need to hold down prices, as long as import policies permit this growing trade.

A big question mark hangs over future government fiscal policy. Intense pressures have multiplied for new and expensive federal programs. Under the Eisenhower Administration, which has proclaimed government economy and fiscal soundness as a policy mainstay, federal spending has still crept upward. The next Administration, if less concerned with the cost of living, could permit inflationary federal spending and help start another wave of inflation.

If future government policies channel an increased percentage of spending into the public sector of the economy and do not stimulate more private investment, inflationary dangers would grow.

Some politicians are eager to give the federal government control over more economic decisions and believe that a little inflation is a good thing under the theory that only in this way can the economy expand quickly.

Lined up against this philosophy are those who maintain that the best opportunities for economic growth come with stable prices—as history proves—and also that only with price stability can growth be healthy and sound. Which philosophy wins out will have considerable impact on inflation's future.

—ROBINSON NEWCOMB

### Congress spenders

chafe under restraints of House Rules Committee.

They plot new maneuvers to weaken panel's strong conservative stand. Read what's planned in article

on page 38

eral labor shortage may help make productivity gains larger in the next decade than in the last.

Labor has come to expect large automatic wage increases. This expectation will be hard to alter in the 1960's. It could support inflation for some time. If the cost-of-living clause in contracts is continued, the pressure will be even greater.

### How rigid?

Price rigidities may still be present. Firms may hesitate to cut prices even when costs have been lowered or when a lower price would





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because they are available and can be spared. It will carefully pick its ablest comers, the potential presidents and department heads.

It will also make sure that the man himself wants to go to school. This point is stressed by George W. Bricker, Jr., former vice president of Celanese Corp., who is now serving as a management training consultant to leading firms. Unless a man sees a management course as a welcome opportunity to progress toward his personal goals, Mr. Bricker points out, he is not likely to take full advantage of it. Indeed, he may regard it as a move to sidetrack him or get him out of the way and thus approach it with an extremely negative attitude.

Timing is an important consideration in selecting candidates. Ideally, a man should be sent to school when he is at a stage in his career where he needs, and knows that he needs, the broader outlook and deeper insights that the course may help him obtain.

"We attempt to time participation in a university program," says W. M. Read, training director of Atlantic Refining Co., "so that it comes immediately before or shortly after a promotion to higher responsibility."

This seems to be a growing practice among firms which have given careful thought to the proper role of outside training. Sherwood Huneryager of the University of Illinois surveyed 70 major firms and found that the men most frequently selected to attend management courses were those newly appointed to a position of increased responsibility or earmarked for early promotion.

It should be noted that this practice does not contradict the long-accepted axiom that promotion should not be a reward for completing certain executive development activities. What is happening is just the reverse—attendance at a management course is being treated as the final step in preparing an executive, already chosen on the basis of job performance, for larger duties.

Other types of men who should be considered in choosing candidates for management courses include:

► Able specialists who need a broad-

er range of competency to qualify for true managerial positions.

► Veteran executives who need a refresher course to catch up with new developments in their own fields, or to avoid getting into a rut.

► Good men who are qualified for advancement, but for whom no spot is presently available, and who need to be kept challenged, interested and growing while they wait.

Matching the man to the course is a crucial phase of the selection process. Some courses are designed primarily to improve leadership skills and to sharpen know-how in functional areas of management, such as accounting, marketing or production. Generally speaking, these courses are most suitable for younger managers and for specialists who are moving into broader responsibilities.

Senior managers may profit from a know-how course in corporate finance, but they usually do not need and would be excessively bored by exposure to purely functional instruction in other fields. What the top manager needs, according to Dean Johnson, is the kind of far-ranging and reflective study that will deepen his understanding of the total environment in which he operates—"where his company fits in his industry and country; the many forces that impinge on it and shape and direct his own effectiveness."

He needs a chance to read, think and exchange stimulating ideas with men of his own stature about "the role of technology in society, the labor movement, the political situation, even the international situation." He needs "a sense of history and feel for the social sciences."

Some university courses are superbly designed to meet these needs. The students sent to them should come from the top rungs of the management ladder.

It is a waste of time and money, and an affront to the other participants, to enroll anyone else in such a course.

#### Prepare the students

The company should know why it is sending a particular man to a particular course, and it should also make sure that he knows, too.

"Participants in these programs

are mature men, and they are sent as part of their jobs," Mr. Bricker states. "They should never be allowed to think of attendance at a management course as a period of rest and relaxation."

Whether an executive treats a management course as a company-financed vacation or as a serious opportunity to improve himself depends in large part on his advance preparation.

Dr. Earl Planty, professor of management at the University of Illinois and director of the Senior Seminar in General Management, says it is vitally important to "set up a serious expectancy of growth and improvement" in the minds of all students before they leave for school.

"Talk privately to each man who is going to attend a course. Ask whether he has any specific personal objectives in attending. Try to get him thinking of himself and his personal needs."

The better management courses today are swiftly paced. Participants are expected to hit the ground running. Reading assignments and other study materials often are sent to registrants in advance. A check on how a man is doing with this advance homework is one way of letting him know, before he departs, that the company expects him to make the most of his opportunity.

#### Use his knowledge

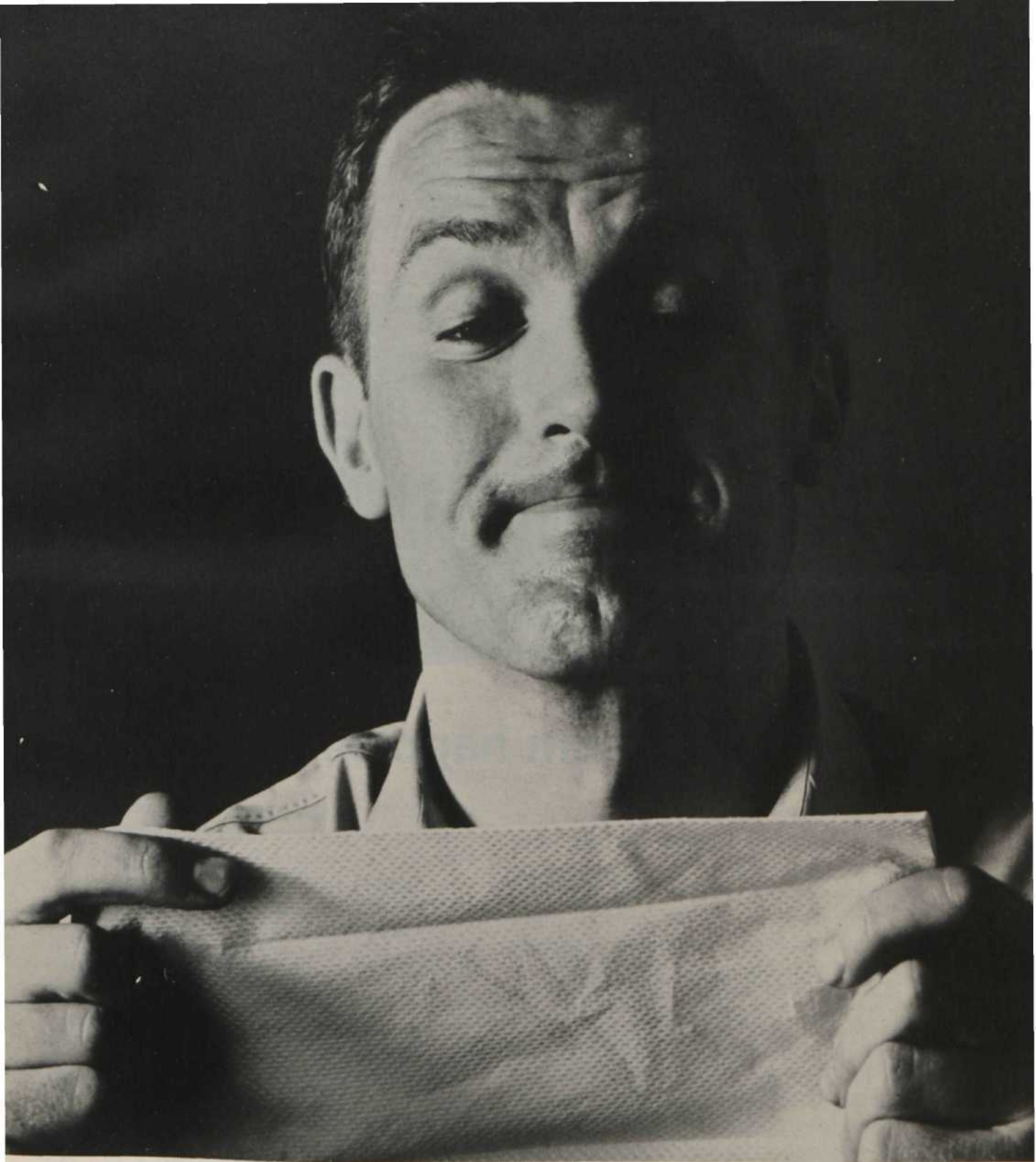
Wise use of the returning trainee is, in many ways, the most crucial step toward realizing a good return on your investment.

The graduate who comes home full of enthusiasm, only to discover that no one is willing to listen to his new ideas, soon becomes bitter and cynical. Unless you give him an immediate opportunity to practice and demonstrate his newly developed skills, his frustration may turn him into a less valuable employee than before he went to school.

The worst thing you can do to him is to put him to work under a superior who resents the special attention he has received, and who regards his new-fangled ideas as a lot of academic nonsense. That kind of organizational climate, says Dean Johnson, will frustrate a good man and kill a mediocre one.

If his attendance were related to a recent or impending promotion, the challenge of his new job may be all the outlet he needs. But if he isn't moving up to bigger things, at least make sure that he moves to other things. Job rotation is a good developmental technique in any





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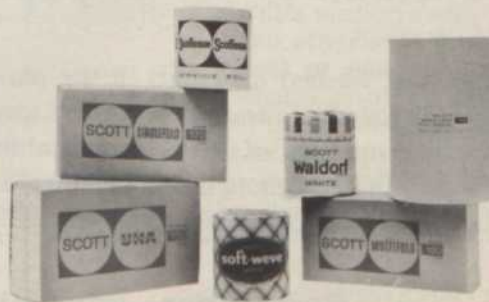
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case, and it is particularly effective when it follows graduation from a management course.

There are other solutions.

You can use him as a management consultant. Put him to work, alone or as a head of a task force, trying to solve some specific management problem that has been troublesome.

He will be at home with such a job because his course placed heavy emphasis on just such problem-solving exercises.

You can use him to enliven, improve and update the company's own internal training programs. Let him serve for a while as an instructor or guest lecturer for plant seminars on management. In this way, you apply the multiplier principle, and open a channel through which his new skills and knowledge may flow through the whole organization.

You can pick his brains. If you have sent one of your best men to a really good school (and the project was futile from the start if you didn't) the chances are that he picked up some knowledge that not even you possess. Be humble enough, and smart enough, to learn from him.

Give other members of top management the same opportunity by inviting him to report to them, in person or in writing, on any ideas he picked up which seem to have a bearing on company problems.

Whatever assignment you give him, be patient.

"Don't expect change too quickly," cautions Dr. Planty. "It may take several months, or even longer, for the effects of his course to become apparent. A good development program is a little like a shock. It lets the man see himself, possibly for the first time. He needs time to recover and assimilate his experience. On several occasions, I have seen no change at all in management course graduates for as long as two years—and then a sudden spurt in performance."

If you've spent several thousand dollars on a man's training, you may not feel like waiting a year or so for him to display concrete benefits. But there are no short-cuts in development. And the results, when they come, are worth waiting for.

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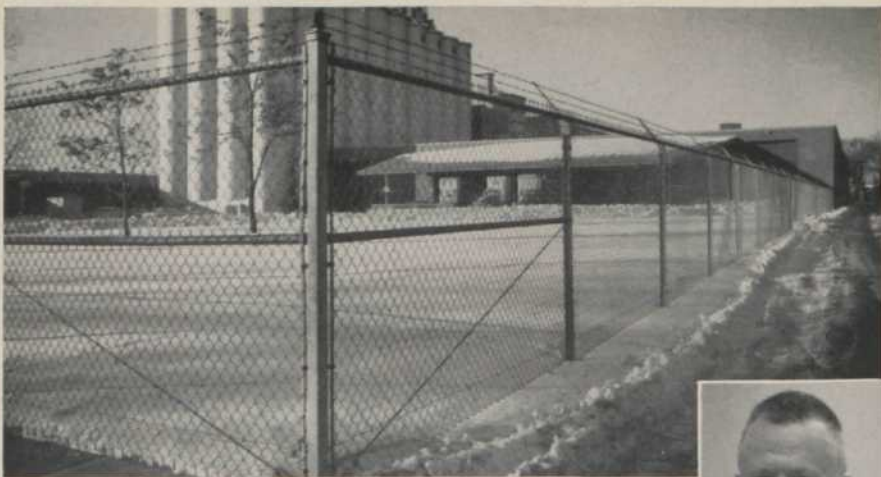
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## OUTLOOK SIGNS

continued from page 35

In contrast, the recovery which began in April 1958 has stemmed far more from self-generating forces and has been accompanied with less inflation than in any previous recovery since the end of World War II.

This recovery has been accomplished without a significant rise in the wholesale price index and with only a small increase in the consumer price index in nearly two years.

The expansion in plant and equipment has not been a hectic rush to add physical capacity, but, rather, a steady process of investment designed to do two things:

First, cut costs wherever possible.

Second, innovate, particularly in terms of creation of demand either by new products or marked product improvement.

It is the payoff, too, of a decade or more of intensive research and development, which should spawn even greater demand for plant and equipment in the future.

In view of the fact that the current boom has not been wild, would you think that this is perhaps a characteristic that we will see more of in the future?

Yes. The widespread planning process now prevailing in industry and the fact that investment is increasingly being geared to longer-run considerations should add greater stability and should help reduce the severity of contractions, as well as their duration.

Then, of course, there is the increased intervention of government through its countercyclical activities.

Is government action very effective?

I would place my primary hope on fiscal and monetary policies of government, in terms of the contribution such measures can make, rather than on any of the other anti-recession devices—in other words, tax reduction and easier credit, rather than public works.

What actions can businessmen take to soften the impact of fluctuations?

For the short run, closer inventory control; for the long term, a better scheduling of investment in new plant and equipment, with the emphasis, wherever possible, upon capital budgeting, long-range projections, and gearing investment as closely as possible to the long range,



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NB-6



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This development, announced by the Department of Defense, underscores once again how the needs of the nation are met by the railroads—the backbone of our transportation system in war and peace.

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## OUTLOOK SIGNS

*continued*

rather than curtailing drastically when recession hits.

**What is the origin of expectational data as a tool of business forecasting?**

Let me put this development in historic perspective.

Until World War I, most of the statistics that made up our system of economic intelligence related to the dim and distant past. Call that Stage I.

Most of the current statistics that businessmen use as guides to what is going on in the national economy were developed between World War I and World War II. In the interwar period we moved into Stage II, the development of a body of current statistics.

Such measures as the index of industrial production, national income and gross national product, employment and unemployment, hours of work—to name only a few—were not available until after World War I.

World War II further accelerated the flow of current economic intelligence.

Today we can know within a matter of weeks, in some instances within a matter of days, the trends in key economic statistics of the past month or the past quarter.

Toward the close of World War II, interest intensified, not only in improving the body of current economic statistics, but also in anticipatory data for the postwar period. You may recall that several economists feared mass unemployment when the government ceased to take \$100 billion of goods and services off the market place, as it was doing at the peak of the war. One of the by-products of this interest was the Employment Act of 1946, which called for estimates of both prospective labor force and prospective job opportunities.

This again emphasized the need for anticipatory statistics. Slowly but surely we moved into Stage III in the evolution of our system of economic intelligence—the development of a body of foreshadowing statistics.

Perhaps no development is more promising in the whole field of economics than is the emergence of anticipatory data, at least so far as the businessman is concerned. Here, for the first time, we come to grips with the question the businessman so frequently raises about economic forecasting: "But how about busi-





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## OUTLOOK SIGNS

*continued*

ness psychology?" or "How about consumer psychology?"

Anticipatory data really are designed to measure not only intentions to buy, but also psychological attitudes, as they affect intentions to buy or invest.

One of the first to recognize the value of expectational data was George Katona. In World War II, he and Rensis Likert, both at that time of the Department of Agriculture, began to collect expectational data relating to the sale of war bonds. From this pioneer effort subsequently emerged the surveys of consumer buying plans now conducted by the Survey Research Center of Michigan, the Survey of Consumer Buying Plans of the National Industrial Conference Board, and the initial exploratory work still under way involving the collection of consumer buying plans by the Bureau of the Census.

**How well can you rely on consumers doing what they say they expect to do?**

The true test of this still lies ahead. The approaches are so new it is difficult to match consumer plans with subsequent spending and arrive at completely documented conclusions. The results, however, for the decade in which such data have been collected and tested, are highly encouraging. One thing we have learned is that the life span of a consumer plan is relatively short. The plans are more accurate as they relate to the next month or the next quarter than when they relate to a year or longer, and so the trend has been to increase the frequency of collection of anticipatory data.

We, in our series, survey consumer buying plans daily and weekly for a total of some 60,000 interviews per year and observe significant changes from month to month, particularly when so extraordinary a factor as, say, the steel strike, begins to influence consumer psychology and the planning process.

In the case of business intentions—and that is, in many ways, an even more volatile series than consumption expenditures—the results are far more encouraging. Here, intensive checks have been made of anticipations, as compared with actual expenditures. I should say that, for the aggregate statistics, the variance between anticipated expenditures and actuality is not too significant. The swings are far greater for the individual company, but the

wide swings of the individual departures from plans wash out—those on the low side offsetting those on the high.

**Do you mean that expectational data for plant and equipment are more reliable than for consumers?**

At least at the current state of the art, yes.

The president of a large corporation does not come in on a given morning and suddenly decide to add a new rolling mill. A long period of gestation has preceded the planning process and when the board of directors finally approves and authorizes this investment, it has far more economic significance than its counterpart as it develops, say, at the consumer's breakfast table.

With consumers, if you know the course of income, you can pretty well determine what the subsequent patterns of outlay may be for most soft goods and services. But, in the case of durable items, cars, electric appliances, items with a high degree of option relative to income, you can get wide swings, even in periods of rising income. In 1956 and 1957 incomes were higher than in 1955, but automobile purchases were low in both of those years, as compared with 1955. Better guides are needed for the optional items.

The soundest conclusions derived from expectational data, at least in the consumption field, relate to direction and degree of change rather than to absolute levels. It is still too early to spell out the specific number of cars or electrical appliances that consumers plan to buy. The direction, either upward or downward, and the intensity of change can, I believe, be fairly accurately determined, even with the existing limitations.

**What are the limitations of expectational data?**

Let's say there are many. For the sake of analysis, let's assume that the degree of error is greater than I believe it will be shown to be. In my judgment, this would not at all vitiate the expectational approach to consumer buying plans. What we need to know is the extent to which consumers either overestimate or underestimate their intentions to buy, in the aggregate, or for particular items.

Once we have this knowledge, we can then begin to apply correction factors to the plans as they are assembled in statistical form. The results should still have foreshadowing significance that would be helpful to all concerned. **END**



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# **Executive Trends**

## **New hope for industry's forgotten men**

Foremen are still victims of "no-man's-land" thinking in U. S. industry, but their lot may improve in the years ahead.

This is indicated by results of a survey recently completed by the Opinion Research Corporation. ORC looked into attitudes about first-line supervision in a nationwide sample of industrial organizations. The survey showed that a majority of plant managers regard their foremen as members of the management team, but are reluctant to give them the power of decision.

► Executive development efforts have tended to focus on the upper levels of management, with the result that little is being done to equip foremen for a more important role in the future. Yet, ORC reports, it is clear that tomorrow's foremen will have to be highly trained, career-minded managers, vested with true decision-making power. Why? Because industry's operations are increasing in size and complexity—trends which make it necessary for management to decentralize authority downward.

## **Turning foremen into managers**

Some companies are taking an enlightened view of foremanship and initiating steps to develop foremen into real managers, Opinion Research Corporation reports.

ORC says a few firms have even abandoned the title "foreman" to symbolize a break with the past and to give an added boost to their effort to train career supervisors who can assume final responsibility as managers of a whole operation, from manpower to budgets and profitability.

If you want to put high priority on making the transition to career foremanship, ORC recommends that you first redefine the scope of the foreman's job. If he is to be truly a manager, make sure he has the greatest possible authority.

► Second, improve your method of foreman selection. Third, upgrade the educational requirements for the job. Fourth, re-examine your in-plant training, making sure that your program enlarges the abilities of men to the full level of their capability. Fifth, erase the insecurity of the job, particularly the threat that a man might be bumped back into the bargaining unit. Sixth, review your financial incentives for foremen.

## **Consultants say their work is changing**

Management consultants are being called on more and more to advise business on its general management problems.

Philip W. Shay, executive secretary of the Association of Con-



sulting Management Engineers, says this trend reflects the fact that an increasing number of companies have hired staff specialists to handle their specialized problems. The result is that consultants are experiencing a growing demand for their services in the broader, more generalized problems of business management.

The billings of consulting firms represented by ACME have been growing at a rate of five per cent a year. This, Mr. Shay says, is a marked increase over the rate a few years back, and indicates the importance of the profession's contribution to American business.

► Another booming adjunct to business operations is the professional recruiting field. The Association of Executive Recruiting Consultants reports that the number of companies using professional recruiters has quadrupled in five years. Size of U. S. firms using recruiters during 1959 ranged from those with sales under \$10 million to those with sales of \$1 billion or more.

### Profile of future executive

What will be the chief characteristics of the top executive of the 1960's and 1970's?

Allan A. Gilbert, a member of the consulting firm of George Fry & Associates, says that one can predict with some confidence that the manager of the future will be "a coordinator of human effort and professional manager of men." Mr. Gilbert says increasing specialization will make the manager of the future less able to cope with technical details than his predecessors. Instead, he'll surround himself with management specialists and concentrate on coordinating various phases of the business.

If the successful future manager is a specialist in any sense, it will be as a human relations expert, Mr. Gilbert believes. His training will center around human dynamics and leadership.

► Competition in the 1960's for good managers will be "excessive," Mr. Gilbert asserts. He cites as evidence of this the fact that, while our general population is on the uptrend, the number of workers between the prime ages of 20 and 45 is actually decreasing. Yet this age group represents the greatest source of management personnel for the next 10 years and almost the only source for the subsequent decade.

### Forecasts marketing in the 1960's

We can look for a number of significant changes in the marketing-design field in the 1960's, according to Walter P. Margulies, president of Lippincott & Margulies, Inc., industrial designers.

Mr. Margulies believes increasing stress will be placed on brand-company loyalties "on the theory that real differences between competing products are practically nonexistent and that more and more buying decisions are being based on the image of the manufacturer in the mind of the buyer."

There will be many new mergers and acquisitions, he predicts, with the result that corporate images—trademarks etc.—will change rapidly as more firms operate in product fields foreign to, and sometimes conflicting with, their established line.

► Mr. Margulies expects the early 1960's to witness the start of a big replacement market, especially in home appliances, and the advent of the "super store," which will combine the best features of the department store, discount house and supermarket. Door-to-door, telephone, catalog and direct mail selling will revive with a vengeance, he predicts, as manufacturers seek to develop new (and old) means of distribution and sales to combat rising sales costs.

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# FIRST STEPS TOWARD FAIR WORK RULES

How some companies find answers to automation, featherbedding problems

ALL GROUPS in our economy will benefit from management's drive against union make-work practices.

Already these efforts are showing some progress. Some employers and industries have won union cooperation in revising work rules which keep costs up despite large investments in new machinery, materials and methods.

In other industries, notably newspaper publishing, so-called featherbedding remains a big problem. In these, progress toward taking full advantage of new technological advances, reducing waste and putting the brakes on inflation remains virtually at a standstill.

In construction, stevedoring, meat-packing and glass industries, however, employers, through aggressive efforts and a willingness to help soften the temporary adverse effects on individual jobholders, have eased union resistance to progress.

A joint union-management study of the problem is under way in steel.

At least three factors contribute to the growing management and public concern over costly union work rules.

One is the spread of automation. Many companies found that the full economies could not be realized

from new cost-saving equipment because of union rules that were designed to limit reductions in the work force.

Another factor was the difficulty in cutting labor costs during the 1958 recession and to meet competition of lower-cost imports.

A third is the overriding pressure in some industries of poor financial returns which makes an all-out attack on featherbedding practices an unavoidable factor in survival.

## **Work rule gains**

*Construction Industry:* The AFL-CIO Building Trades Department and the National Constructors Association have agreed in principle to a 10-point program "designed to promote the full use of labor-saving methods, materials, and machinery or tools."

The code condemns slowdowns, forcing of overtime, spread-work tactics, standby crews, and featherbedding practices.

The implementation of this code depends upon individual contract agreements.

Progress has been made in some parts of the country.

In Detroit, the painters have agreed to eliminate premium pay for using rollers, thus opening the



way to a greater use of that labor-saving device.

In Chicago, three construction trade associations and the Plumbers Union have agreed to remove restrictions on the use of power tools and to permit cutting, welding, and threading of pipes off the job site. In return for this concession their hourly rates were increased by 22 cents. Expectations are that the savings resulting from this change in the work rules will more than offset the wage increase.

In New York, the Joint Industry Board of the Electrical Industry announced a two-year agreement which provides for "increased automation, the use of power-driven tools, reduction of coffee breaks and other time wasters, and inefficiencies in deliveries and the use of equipment."

The new program is expected to save \$10.5 million a year.

These developments may be the first step in an important reversal in the construction industry which long has been regarded as one having considerable featherbedding.

*Standard Oil Co. of Indiana:* Under attack in several industries was the ability of management to reduce the size of work crews. Standard Oil of Indiana negotiated a new contract at one refinery which permits the company "more flexibility in scheduling work by consolidating a number of small work crews into one common labor pool." In return, some of the affected workers received a wage increase of 1.5 cents an hour.

The union had demanded a contract with a no-layoff provision. However, after a 17-day strike this demand was compromised by providing that a worker who accumulates 40 hours of overtime will be laid off for a week, thus sharing the work.

*Pittsburgh Plate Glass Co.:* After a strike of 134 days, the company and the United Glass Workers agreed to arbitrate the changes in work rules demanded by the company. A three-man arbitration commission wrote contract clauses dealing with speed, controls, incentives and seniority. This was unusual because arbitrators usually interpret existing contract clauses rather than write new ones.

The commission also ruled on company requests to reduce the number of workers required for specific operations. It set up several

general principles as a guide in handling 36 requests before it.

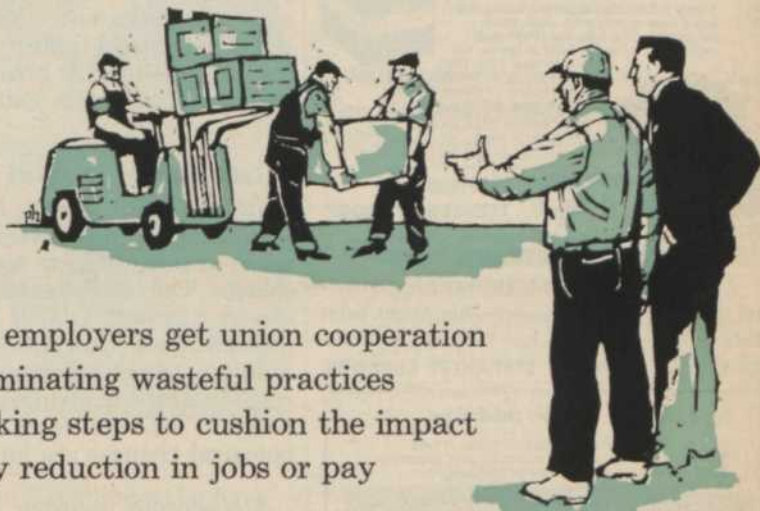
Among these principles was: "Creeping technological and process changes, if they do reduce work duties without an offsetting increase in tension and responsibility, should justify manpower reductions on the affected operations."

Twenty-two of the glass company's requests were granted in full, five were granted with conditions attached, two were partially granted,

union does not agree to the rates it may file a grievance.

The arbitration commission upheld, with some modifications, new seniority rules. The company may fill temporary openings—three days or less—on the basis of ability rather than seniority. Similarly, the board upheld competency as the basis for filling vacancies.

Clearly, in these instances, management has regained some control over assignments, incentive systems,



Some employers get union cooperation in eliminating wasteful practices by taking steps to cushion the impact of any reduction in jobs or pay

and seven were denied. Most of the changes involved reductions in the size of work crews.

One interesting aspect of these manpower adjustments was the company's promise to exercise its option under the pension plan to retire employees between the ages of 63 and 68 in sufficient numbers so that total retirements and terminations will, so far as possible, equal any reductions in manpower directed by the commission. In this manner the impact of technological unemployment would be cushioned.

However, the union may elect to achieve the same goal by insisting upon the retirement of junior employees.

The commission also provided that the company may increase speeds of machines for a three-week trial period. If the union does not agree to a new speed during that period, the speed reverts to the original pace and the matter may be submitted to arbitration.

Delays in adopting incentive rates when jobs or operations were changed were proving costly to the company. Under the arbitration commission's decision, Pittsburgh Plate Glass may now make a new rate effective without obtaining prior approval from the union. If the

and job content. These are significant reversals of the postwar trend.

#### Study group

The most vigorous battle over work rules was fought in the steel industry. The final settlement included none of the changes in work rules the companies demanded. However, a joint committee, with a neutral chairman, was established to study the local work rules and to make recommendations by Nov. 30. The recommendations will not be binding on either companies or union.

While it is difficult to separate the components of a collective bargaining settlement, the labor cost increase under the 1960 steel agreement has been estimated as less than half as great as under the previous agreement in 1956. To what extent this more favorable settlement was in return for management's yielding on the work-rule issue is not evident.

The results of the steel industry's drive to amend the working rules will depend upon what the joint committee recommends and the effect discussions during negotiations will have on plant-level resolution of such problems. The steel industry and the United Steelworkers



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## FAIR WORK RULES

continued

have demonstrated in the past that such joint consideration of a problem can yield an answer satisfactory to both parties. The development of the present job-evaluation plan under the terms of a broad recommendation of the National War Labor Board provides an interesting illustration.

With a neutral chairman examining these rules it is not unlikely that the more flagrant abuses in the steel industry may be subject to some modification. Nevertheless, thus far the steel industry has made less progress in this area than have the other companies and industries discussed.

### Establishment of funds

In two settlements, funds were established to help cushion the adverse impact of new technological change. They involve Pacific Coast stevedoring and Armour & Co. This problem does not exist in the steel industry. Steel companies are not restricted in the changes they may make in the work force when technological changes are introduced.

**Stevedoring industry:** A fund of \$1.5 million is being set up by the Pacific Maritime Association. It will be used to compensate workers for hours lost because of more efficient methods of handling cargo. One of the practices that will be permitted is packing goods away from port in larger containers which can then be loaded mechanically aboard ship.

The manner in which the fund is to be distributed to the workers is under study. If no program is agreed upon by this month the question will be submitted to arbitration.

However, the industry cannot arbitrarily reduce the work force. Any reduction of gang sizes or number of clerks, elimination of multiple handling, or other existing contract or working rule restrictions must be agreed to by the union.

Nevertheless, the intent appears to be to cooperate when changes are needed.

One of the objectives of the fund is to guarantee the fully registered work force a share in the savings effected by changes. Another is to guarantee the West Coast employers the right to make changes and to remove restrictions.

Thus, the agreement appears to accept in principle the need to adjust employment in response to technological change, provided that

the work force shares in the resulting savings.

On the East Coast, stevedoring gangs agreed to handle cargo containers. Containers reduce the number of packages that have to be handled on the dock. A special fund is being established to compensate dock workers in part for income lost where such containers are loaded away from the dock.

**Armour & Co.: Modernization** has been proceeding rapidly in the meat-packing industry. Armour's contract recognizes that a "modernization program is vital to its ability to compete and grow successfully," and thus provide "a reasonable return on capital invested . . . and assurance of continued employment at fair standards of wages, benefits, and working conditions."

The agreement also recognizes that mechanization and new methods to promote efficiencies affect the number of employees required and the manner in which they perform their work.

Armour is free to introduce technological changes. However, the agreement provides for some cushioning of the adverse effects of technological change upon employees. A fund of \$500,000 was established. The company puts into the fund one cent for every 100 pounds of tonnage shipped.

A committee of nine, headed by a neutral person, administers the fund.

This committee is to study the employment problems resulting from modernization. Among the solutions to be considered are training qualified workers to perform new and more skillful jobs, transferring displaced workers to other plants, and other measures which will provide job opportunities for the affected workers. The fund is not to be used to increase severance pay benefits.

Thus the Armour agreement is more concerned with how to minimize the impact of technological change on existing jobs than with work rules. Nor does it provide for any sharing by workers of the savings realized. However, to the extent that satisfactory adjustments are made to technological change, there should be less pressure to freeze present job patterns and to press for new work rules designed to preserve existing jobs.

Some companies made no progress in their attempts to modify rules. Kennecott Copper Corporation abandoned a demand which would have permitted a reduction



in the size of crews used in strip mining. Similarly, several attempts to eliminate bogus type in newspaper publishing proved to be abortive.

Some airlines were forced to increase the crews on jet airliners from three to four men.

#### Railroads

A current dispute on work rules involves the railroads. The carriers estimate that \$500 million, or about 10 per cent, of the labor bill could be saved if work rules could be modernized.

The obsolete dual basis of pay has not been changed for more than 40 years despite the large increase in output of the operating crafts. A network of antiquated seniority arrangements leads to multiple payments for many jobs. The firemen, who were engineered out of their primary functions by the diesel engine, continue to draw some \$200 million annually.

In Canada, a royal commission found that firemen are not necessary on diesel engines. Under the resulting agreement, the Canadian roads are steadily reducing the number of firemen used in freight service and in yard operations.

The Canadian Pacific Railroad is reported to have operated 17,500 yard shifts and 3,500 freight runs without firemen in the first 15 months of free operations, with savings of roughly \$380,000. In a shorter period, the Canadian National Railroad handled 11,000 yard assignments and 2,100 freight runs without firemen. The saving was estimated at \$250,000. These changes were accompanied by an excellent safety record.

With this experience as an example, the American railroads are pressing vigorously for similar changes.

#### The period ahead

The final box score for 1959 bargaining clearly fell far short of management's hopes in the area of work rules. The few adjustments made barely scratched the surface, but the important news is that in some areas there are signs that the tide was slowed down, if not halted.

Revision of past practices tends to be a slow process. Practices tend to become institutionalized. Any group—including workers—is loath to give up its advantages. A slow erosion rather than a sudden change was to be anticipated. For example, when the Canadians decided that firemen were no longer necessary on many diesels, the impact on the



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## FAIR WORK RULES

*continued*

firemen already employed was limited. But as they quit, retire, or die they are not replaced.

Prof. Arthur M. Ross of the University of California has pointed out:

"The problem of work rules and practices cannot be swept under the rug. Oversized crews do exist in some operations. . . . Work separations—restrictions as to what work can be assigned to particular departments, job classifications or crews—are excessively rigid in some plants . . . inefficient practices can be eliminated if measures are taken . . . to cushion the impact . . ."

Demands for modification of work rules should be renewed when the recently negotiated contracts expire. In the meantime, the ground should be prepared by careful documentation of existing abuses in working rules.

The customer pays for these uneconomic costs. He should continue to be told the make-work and featherbedding story when company officers make speeches, testify before congressional committees and report to stockholders, and in other ways.

One lesson from recent experience is the importance of prior preparation in educating employees as to exactly what management proposes to do and the advantages to workers of eliminating unnecessary operations and manpower.

A program to protect workers should facilitate acceptance of the necessary changes.

By taking the initiative, management can blunt the charge that it is trying to destroy unions or to strip workers of seniority and other rights.

American industry has experienced a major inflation in labor costs since World War II. In many industries, breakthroughs in technology have countered these rising costs in part. Despite such developments, unit labor costs have continued to rise.

These cost pressures must be modified by keeping future labor cost increases within the bounds of productivity gains and by eliminating unnecessary labor costs wherever possible.

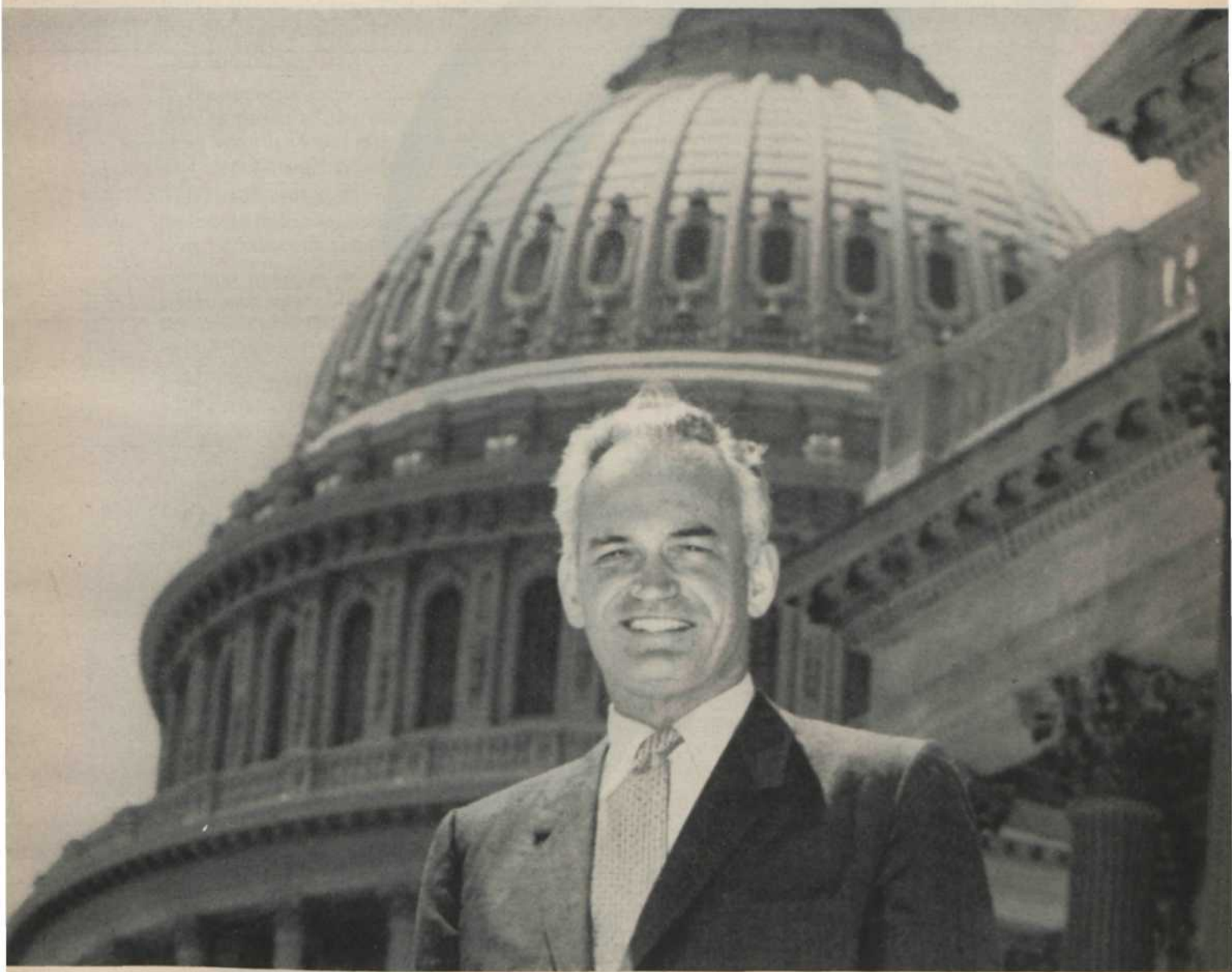
In these terms, the progress made on work rules and featherbedding must mark the beginning of the story, not the end.

—JULES BACKMAN  
*Research Professor of Economics  
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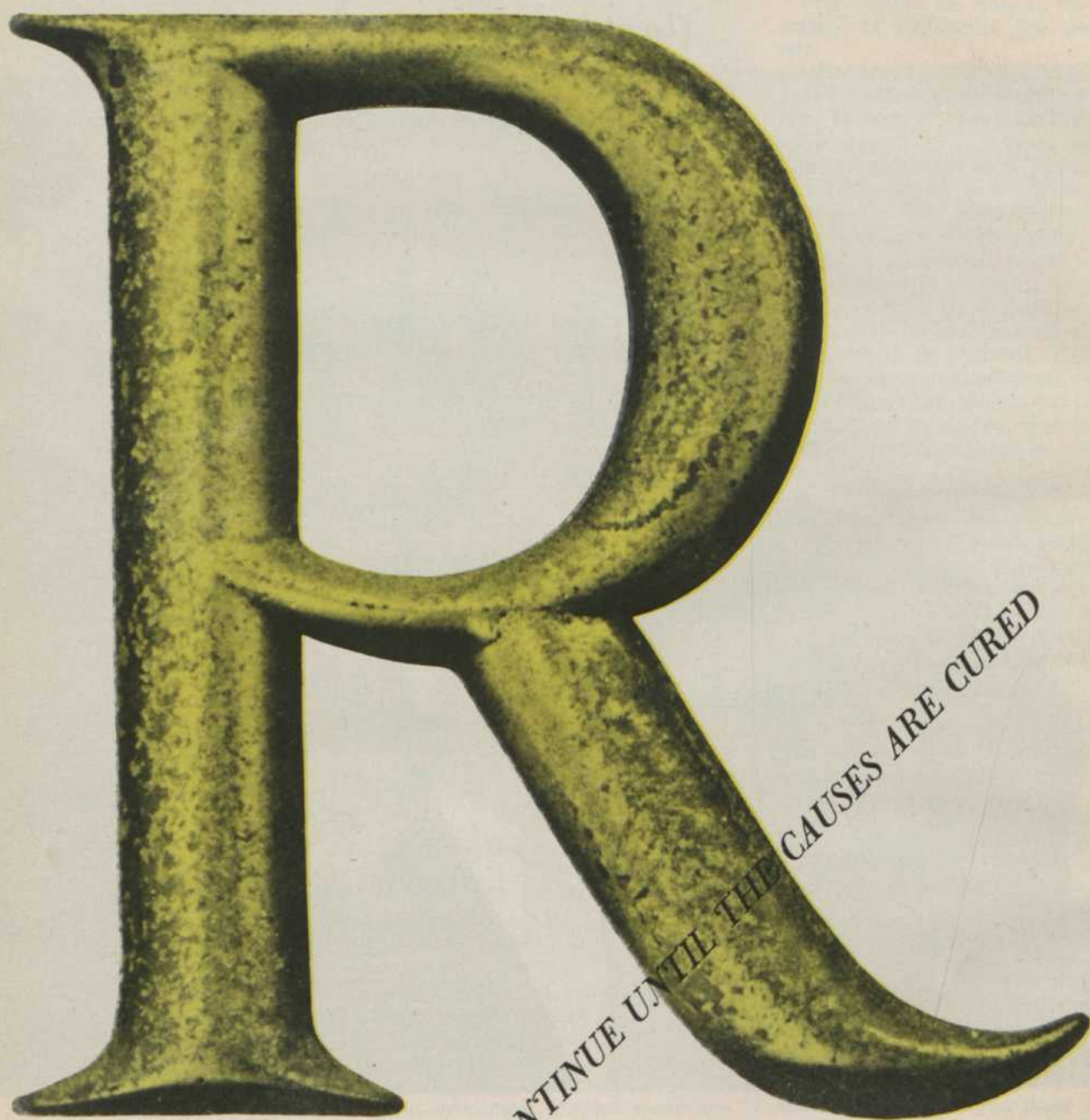
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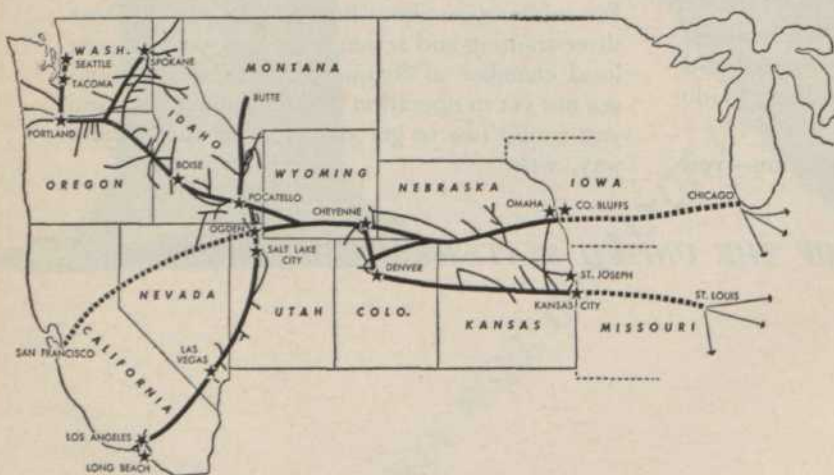
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## FEDERAL SPENDERS

continued from page 38

the Eighty-seventh Congress convenes next year. They're better organized now than in many years. Their informal organization, called the Democratic Study Group, operates its own system of quickly rounding up its membership for votes and has set up task forces on more than a dozen issues.

Liberalization of the Committee could swing the next Congress to the left of the present one, even with a reduced Democratic majority.

But the liberals face a formidable task in liberalizing the Rules Committee.

At the beginning of each new Congress the House elects its committee members, including 12 for the Rules Committee. By mutual agreement between party leaders, the majority party since 1945 has been allotted eight seats and the minority four. Each party selects its own members. Ratification by the House is a formality.

The Democrats can do nothing about the fact that the Republicans fill their seats on the Rules Committee with conservative members: Leo E. Allen, 61, of Illinois, who is retiring at the end of this year; Clarence J. Brown, 66, of Ohio; B. Carroll Reece, 70, of Tennessee; and Hamer H. Budge, 49, of Idaho.

On the other hand, the two Democrats in the conservative coalition are protected by seniority. The seniority rule says that no member shall be forced against his will to give up his Committee seat to another member of his party. The higher up the seniority ladder a member climbs, the more inviolate is the rule.

The two Democratic conservatives are the top-ranking Democrats on the Rules Committee—Chairman Howard W. (Judge) Smith, 77, board chairman of an Alexandria, Va., bank and owner of three farms in northern Virginia; and William M. Colmer, 70, of Mississippi. Mr. Smith has spent 30 years in Congress; Mr. Colmer, 28.

The other six Committee Democrats, who range in political philosophy from liberal to moderate, are Ray J. Madden, 69, Indiana; James J. Delaney, 59, New York; James W. Trimble, 66, Arkansas; Homer Thornberry, 51, Texas; Richard Bolling, 43, Missouri, and Thomas P. O'Neill, 47, Massachusetts.

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## FEDERAL SPENDERS

*continued*

power to permit the House to take up legislation, regardless of the size or determination of minority opposition.

The Committee has no counterpart in the Senate.

A minority can filibuster to block Senate action and it takes a two-thirds vote of the Senate to shut off a filibuster.

Before 1883 the rules prevented House passage of many types of bills without a two-thirds vote. In that year the Speaker, J. Warren Kiefer, got tired of making concessions to minorities to get bills passed.

Kiefer handed down a parliamentary ruling which gave the Rules Committee its present power to permit the House to decide by majority vote whether it wants to pass a bill.

Succeeding speakers continued to use this new Rules Committee technique to advance measures they favored while holding back measures they opposed.

As one of the members of the Rules Committee, empowered to remove the other members and appoint replacements, the Speaker's word was law.

Speaker Joe Cannon used his dictatorial powers so energetically that, in 1910, the House revolted. It removed him from the Rules Committee, decreed that no Speaker henceforth should either sit on the Committee or name the members. But it left the Committee's powers intact.

In its revolt against Speaker Cannon, the House adopted two additional methods for bringing bills to the floor for majority vote. Both are cumbersome, little used, and rarely successful.

One is a discharge petition to be signed by a majority of members. The other, calendar Wednesday, provides for an alphabetical call of legislative committees on successive Wednesdays until the committee holding the desired bill is reached.

Without approval of the Rules Committee or resort to these procedures the House can act by majority vote on only privileged legislation, including appropriations to finance existing programs and resolutions to change the rules. Other bills without Rules Committee clearance can be passed only by unanimous consent or by suspension of the rules, which requires a two-thirds vote.

Thus, in trying to pass highly

controversial legislation, the majority party leadership in the House and Senate face a different, yet somewhat similar, set of problems.

The problem for Senate Democratic Leader Lyndon B. Johnson, of Texas, is this: If the legislation is obnoxious to a minority group, the group can upset his legislative timetable with a talkathon unless concessions are made. Witness the filibuster conducted by southerners against the civil rights bill.

The problem for Speaker Sam Rayburn, of Texas, is this: He has little chance of putting legislation through the House which is unacceptable to more than one third of the members without getting advance approval of the Rules Committee.

And before granting a green light, the conservatives on the Rules Committee often demand, and get, advance concessions from the leadership on the terms of the legislation that will be passed.

Neither the Rules Committee conservatives nor the liberal Democrats would compromise this year on a Democratic bill to launch a new \$251 million program of federal help for communities with chronic unemployment.

After the Rules Committee road-blocked the bill for 12 months, liberal Democrats early in May finally resorted to calendar Wednesday procedure and pushed the bill through the House. The President then killed it with a veto.

Before 1937 the Rules Committee generally served as the agent of the majority party.

During Franklin D. Roosevelt's first term, House leaders repeatedly used the Committee's powers to ram New Deal measures through the House under gag rules, which barred amendment. Then, the conservatives were denouncing the Rules Committee.

A new era began in 1937 when conservative southern Democrats joined with Republican members on the Committee to block New Deal measures.

House Democratic leaders had to resort to a discharge petition signed by a majority of the House to get the first minimum wage law enacted in 1938.

The Rules Committee temporarily lost its power to block legislation when the Democratic Eighty-first Congress convened after Harry S. Truman was elected President in 1948 on a campaign pitched against "the do-nothing Republican Eightieth Congress."

Liberal Democrats feared that



Mr. Truman's Fair Deal would fare poorly in the new Democratic Congress unless the Rules Committee's powers were curtailed. The time was propitious. Congress' prestige was low. The Rules Committee for several years had been getting unfavorable press notices. Many veteran House members were angry at the Committee for blocking pet bills. The election had produced an army of freshmen House Democrats eager for battle.

With Speaker Rayburn joining in the drive, Democrats voted 176 to 48 at their pre-session caucus to push for a rule under which any bill blocked for 21 days in the Rules Committee could, on certain days, be called up for floor action. Under this rule the House passed some far-reaching legislation.

A gigantic eight-year program of public housing, authorizing construction of 800,000 federally subsidized rental apartments, became law. The federal minimum wage was raised.

After two years of operating under the 21-day rule, the House wanted to return to its self-imposed subjugation by the Rules Committee. In January, 1951, it repealed the rule 247 to 179.

A combination of factors accounted for the switch. Southern Democrats turned overwhelmingly against the 21-day rule when they saw it could be used to advance civil rights legislation. The 1950 election had reduced the Democratic majority in the House and Republican leaders lined up their freshmen against the 21-day rule. Moreover, a good many moderates of both parties felt that the record of the Eighty-first Congress had demonstrated the advantage of having a powerful Committee to take the political heat.

Significantly, Mr. Rayburn did not lead the fight to save the 21-day rule. He felt it could be used to produce a lot of irresponsible legislation. Moreover, the rule tended to put him on the spot, requiring him to intervene openly to block bills he opposed.

Today there is no strong sentiment for a return to the 21-day rule. Critics of the Rules Committee generally want to change its management rather than limit its powers.

What the liberals hope to do is persuade Speaker Rayburn to insist, in pre-session negotiations with Republican Leader Charles A. Halleck, that the party ratio on the Rules Committee be changed to nine to three. An alternative goal is to boost the membership of the committee to 13 and give the Demo-

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## FEDERAL SPENDERS continued

crats nine seats. The object is to give the liberal-moderate wing of the Democratic party a seven to five or seven to six majority.

To accomplish this, the liberals would have to triumph in the Democratic party caucus and then win a floor fight. Should Mr. Rayburn voice strong opposition, it is doubtful that the liberals could win at the caucus. Should he remain neutral, the liberals almost certainly would lose on the House floor.

He may or may not give his support. Liberals concede it won't be easy to persuade him. Some conservatives contend that the Rules Committee has never held up a bill that Mr. Rayburn really wanted. As the end of the session approaches, the fate of committee-blocked legislation is finally determined by negotiations between Representatives Smith and Rayburn.

Moreover, much of the protest against the Committee is bogus. The Committee makes a convenient whipping boy. Many like to blame it for bottling up bills which they themselves privately oppose but would hesitate to vote against. The outcome next January will depend largely on three developments:

1. *How tight a yoke the Rules Committee holds on liberal legislation before adjournment.* The more bills that are bottled up, the more pressure Mr. Rayburn will be under to join the drive to liberalize the Committee. If Mr. Rayburn can persuade the conservative coalition to free the minimum legislation necessary to hold down irritation, it will be easier for him to reject the liberals' plea for help next January.

2. *The outcome of the congressional elections.* This could be decisive. Democrats now hold 280 House seats, Republicans 153. There are four vacancies. "If we lose many seats to the Republicans in November, we just won't be able to win the fight," concedes one Democratic liberal. "A lot of Democrats, the southern conservatives, will vote with the Republicans on this issue."

3. *The outcome of the presidential election.* If a Democrat moves into the White House, Democratic liberals figure their battle will be half-won. They recall that Harry Truman's election in 1948 provided the White House backing that helped bypass the Rules Committee for two years.

—VINCENT J. BURKE





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# Debasing THE GOLDEN YEARS

THE NEEDS of our senior citizens will be met. When they are, businessmen will be responsible because the needs of the old—like the needs of the young or the middle-aged—can be met only by production.

If the old people are to have more medical care, more housing, more recreation, more jobs, we must either produce more of these things or what is produced must be redistributed according to some sort of government formula. By discouraging production, the second of these two choices might reasonably result in less for everybody—including those who are expected to benefit.

In spite of this, we are being urged to make this second choice. We are told in heart-breaking detail that the infirmities of age present a problem that only federal action can meet. If this is true, science has played mankind an ironic trick by lengthening the span of life.

Indisputably, many of the aged have problems which they need help to solve. Indisputably, too, it is time we found out what these problems are.

A means is at hand for doing that. The President, in response to an act of Congress, has called a White House Conference on Aging to be held next January. Preceding it will be state meetings where organizations and individuals with an interest in helping old people can look into the nature of their needs, find out what ought to be done, and how.

Businessmen should prepare now to take part in these discussions at both the state and national level. They can do the country, the old people and themselves a service by helping to separate real needs from political opportunism.

They can protect the aged from a compulsory health plan which forces them—as

British aged are now forced—to support a government health insurance scheme while paying, out of their own pockets, for private health insurance to protect them when they're sick.

Several states and communities have already demonstrated that, approached from a business viewpoint, the problems of the aging are neither so insoluble nor so monstrous as the recent chorus of doom would have us believe.

One locality set up recreation facilities geared to the needs of oldsters—and in consequence found substantially fewer aged being sent to state mental hospitals.

A northern state, examining its own situation, found many communities with no problem at all, was able to pinpoint the need where it actually existed and develop, on a community basis, programs to meet those needs.

If the real intention is to make years of retirement the "golden years" we talk about, rather than a golden opportunity to extend further the federal hold on the lives of everybody, we will avoid the uniformity that goes with federal domination.

We will use the approaches we already have on hand, which Rep. Thomas B. Curtis of Missouri has described this way:

"We have the device of public assistance—locally administered and locally disbursed on the basis of known need. We have already at work the voluntary efforts of civic, religious and health leaders at the community level. We have operating effectively the machinery of health insurance . . . We have in the United States the healthiest nation in history. Our prospects for the future to better this record are excellent."

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